



PROGRESS ENERGY RESOURCES CORP.

**Notice of
Annual and Special Meeting of Shareholders
to be held on May 11, 2011**

The annual and special meeting ("**Meeting**") of the shareholders of Progress Energy Resources Corp. will be held in the McMurray Room of the Calgary Petroleum Club, 319 - 5th Avenue SW, Calgary, Alberta on May 11, 2011 at 3:30 p.m. (Calgary time) to:

1. receive and consider our consolidated financial statements for the year ended December 31, 2010, together with the report of the auditors;
2. fix the number of directors of Progress Energy Resources Corp. to be elected at the Meeting at nine (9) members;
3. elect nine (9) directors of Progress Energy Resources Corp;
4. appoint the auditors and to authorize the directors to fix their remuneration as such;
5. consider a special resolution to reduce the stated capital of the common shares of Progress Energy Resources Corp. by the amount described in the accompanying information circular – proxy statement; and
6. transact such other business as may properly be brought before the Meeting or any adjournment thereof.

The specific details of the matters proposed to be put before the Meeting are set forth in the information circular - proxy statement accompanying this notice.

If you are unable to attend the Meeting in person we request that you date and sign the enclosed form of proxy and mail it to or deposit it with Computershare Trust Company of Canada, Attention: Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 not later than 4:30 p.m. (Calgary time) on the second last business day preceding the date of the Meeting or any adjournment thereof.

The instrument appointing a proxy shall be in writing and shall be executed by the shareholder or his or her attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized. The persons named in the enclosed form of proxy are directors and/or officers of Progress Energy Resources Corp. Each shareholder has the right to appoint a proxyholder other than such persons, who need not be a shareholder, to attend and to act for such shareholder and on such shareholder's behalf at the Meeting. To exercise such right, the names of the nominees of management should be crossed out and the name of the shareholder's appointee should be legibly printed in the blank space provided.

Shareholders of record at the close of business on April 1, 2011 will be entitled to vote at the Meeting, unless that shareholder has transferred any shares subsequent to that date and such transfer has been recorded on the register or one of the branch transfer registers maintained by Computershare Trust Company of Canada and the transferee of the shares establishes that he or she owns the shares and demands not later than ten days before the Meeting that the transferee's name be included in the list of shareholders entitled to vote at the Meeting, in which case such transferee shall be entitled to vote such shares at the Meeting.

DATED at Calgary, Alberta this 1 day of April, 2011.

By order of the Board of Directors of
Progress Energy Resources Corp.

"Gary R. Bugeaud"

(signed) Gary R. Bugeaud

Secretary

PROGRESS ENERGY RESOURCES CORP.

Information Circular - Proxy Statement Dated April 1, 2011 for the Annual and Special Meeting to be held on May 11, 2011

PROXIES

Solicitation of Proxies

This information circular - proxy statement is furnished in connection with the solicitation of proxies by management for use at the annual and special meeting ("**Meeting**") of the shareholders of Progress Energy Resources Corp. (the "**Corporation**", "**Progress**", "**we**" or "**us**") to be held at 3:30 p.m. (Calgary time) on May 11, 2011 in the McMurray Room of the Calgary Petroleum Club, located at 319 - 5th Avenue SW, Calgary, Alberta, and at any adjournment thereof. Forms of proxy must be addressed to and reach Computershare Trust Company of Canada, Attention: Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 not later than 4:30 p.m. (Calgary time) on the second last business day preceding the date of the Meeting or any adjournment thereof. Shareholders of record at the close of business on April 1, 2011 will be entitled to vote at the Meeting, unless that shareholder has transferred any shares subsequent to that date and such transfer has been recorded on the register or one of the branch transfer registers maintained by Computershare Trust Company of Canada ("**Computershare**") and the transferee of the shares establishes that he or she owns the shares and demands not later than ten days before the Meeting that the transferee's name be included in the list of shareholders entitled to vote at the Meeting, in which case such transferee shall be entitled to vote such shares at the Meeting.

Unless otherwise stated, the information contained in this information circular - proxy statement is given as at April, 1, 2011.

The instrument appointing a proxy shall be in writing and shall be executed by the shareholder or his or her attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized.

The persons named in the enclosed form of proxy are directors and/or officers of the Corporation. Each shareholder has the right to appoint a proxyholder other than such persons, who need not be a shareholder, to attend and to act for such shareholder and on such shareholder's behalf at the Meeting. To exercise such right, the names of the nominees of management should be crossed out and the name of the shareholder's appointee should be legibly printed in the blank space provided.

These shareholder materials are being sent to both registered and non-registered owners of shares. If you are a non-registered owner and we, or our transfer agent, Computershare, have sent these materials directly to you, your name and address, and information about your shareholdings have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

By choosing to send these materials to you directly, we (and not the intermediary holding on your behalf) have assumed responsibility for delivering these materials to you, and executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

Advice to Beneficial Holders of Shares

The information set forth in this section is of significant importance to you if you do not hold your shares in your own name. If you do not hold your shares in your own name, you are considered a "**beneficial shareholder**". You should note that only proxies deposited by shareholders whose names appear on our records as the registered holders of shares can be recognized and acted upon at the Meeting. If your shares are listed in your account statement provided by your broker, then in almost all cases those shares will not be registered in your name on our records. Such shares will more likely be registered under the name of your broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co., the registration name for CDS Clearing

and Depository Services Inc., which acts as nominee for many Canadian brokerage firms. Shares held by your broker or their nominee can only be voted upon your instructions. We do not know for whose benefit the shares registered in the name of CDS & Co. are held.

Applicable regulatory policy requires your broker to seek voting instructions from you in advance of the Meeting. Every broker has its own mailing procedures and provides its own return instructions, which you should carefully follow in order to ensure that your securities are voted at the Meeting. Often, the form of proxy supplied by your broker is identical to the form of proxy provided to registered shareholders. However, its purpose is limited to instructing the registered shareholder how to vote on your behalf. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. or another intermediary. If you receive a voting instruction form from Broadridge Financial Solutions, Inc. or another intermediary it cannot be used as a proxy to vote shares directly at the Meeting as the proxy must be returned (or otherwise reported as provided in the voting instruction form) as described in the voting instruction form well in advance of the Meeting in order to have the shares voted.

Revocability of Proxy

You may revoke your proxy at any time prior to a vote. If you or the person you give your proxy attends personally at the Meeting you or such person may revoke the proxy and you may vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by you or your attorney authorized in writing or, if you are a corporation, under your corporate seal or by a duly authorized officer or attorney of the corporation. To be effective the instrument in writing must be deposited either at our head office at any time up to and including the last business day before the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the chairman of the Meeting on the day of the Meeting, or any adjournment thereof.

Persons Making the Solicitation

This solicitation is made on behalf of our management. We will bear the costs incurred in the preparation and mailing of the form of proxy, notice of annual and special meeting and this information circular - proxy statement. In addition to mailing forms of proxy, proxies may be solicited by personal interviews, or by other means of communication, by our directors, officers and employees who will not be remunerated therefore.

Exercise of Discretion by Proxy

The shares represented by proxy in favour of management nominees will be voted on any poll at the Meeting. Where you specify a choice with respect to any matter to be acted upon the shares will be voted on any poll in accordance with the specification so made. If you do not provide instructions your shares will be voted in favour of the matters to be acted upon as set out herein. The persons appointed under the form of proxy which we have furnished are conferred with discretionary authority with respect to amendments or variations of those matters specified in the form of proxy and notice of annual and special meeting and with respect to any other matters which may properly be brought before the Meeting or any adjournment thereof. At the time of printing this information circular - proxy statement, we know of no such amendment, variation or other matter.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

We are authorized to issue an unlimited number of common shares without nominal or par value. As at April 1, 2011, there were 229,850,914 common shares issued and outstanding. As a holder of common shares you are entitled to one vote for each share you own.

The record date for the Meeting has been fixed as the close of business on April 1, 2011. To the knowledge of our directors and executive officers, as at April 1, 2011 no person or company beneficially owns, or controls or directs, directly or indirectly, shares entitled to more than 10% of the votes which may be cast at the Meeting, other than as set forth below:

Name	Number of Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly	Percentage of Issued and Outstanding Common Shares
Canada Pension Plan Investment Board ("CPPIB") ⁽¹⁾	34,083,488	14.8%

Note:

(1) Based on an insider report filed on the System for Electronic Disclosure by Insiders ("SEDI") as at April 1, 2011.

As at April 1, 2011, our directors and officers, as a group, beneficially owned or controlled or directed, directly or indirectly, 15.9 million common shares or approximately 7% of our issued and outstanding shares.

MATTERS TO BE ACTED UPON AT THE MEETING

Majority Voting for Directors

Our board has adopted a policy stipulating that if the votes in favour of the election of a director nominee at a shareholders' meeting represent less than a majority of our shares voted and withheld, the nominee will submit his resignation promptly after the meeting, for the Corporate Governance and Nominating Committee's consideration.

The Corporate Governance and Nominating Committee will make a recommendation to the board after reviewing the matter, and the board's decision to accept or reject the resignation offer will be disclosed to the public within 90 days of the applicable shareholder's meeting. Resignations are expected to be accepted except in situations where extenuating circumstances would warrant the applicable director to continue to serve as a board member. The nominee will not participate in any committee or board deliberations on the resignation offer. The policy does not apply in circumstances involving contested director elections.

Fixing the Number of Directors

At the Meeting, it is proposed that the number of directors to be elected at the Meeting be set at nine (9), as may be adjusted between shareholders' meetings by way of resolution of the board. Accordingly, unless otherwise directed, it is the intention of management to vote proxies in the accompanying form in favour of fixing the number of directors to be elected at the Meeting at nine (9).

Election of Directors

Management is soliciting proxies, in the accompanying form of proxy, for an ordinary resolution in favour of fixing the board of directors at nine (9) members, and in favour of the election as directors of the nine (9) nominees set forth below:

David D. Johnson	Donald F. Archibald	John A. Brussa
Howard J. Crone	Michael R. Culbert	R. Scott Lawrence
Brian A. McLachlan	Gary E. Perron	Terrance D. Svarich

In the event that a vacancy among such nominees occurs because of death or for any reason prior to the Meeting, the proxy shall not be voted with respect to such vacancy.

The names and principal place of residence of all of the persons nominated for election as directors, the approximate number of shares beneficially owned or controlled or directed, directly or indirectly, by each of them, the dates on which they became directors, and their principal occupations, as of April 1, 2011, were as follows:

Name, Principal Residence and Office or Position ⁽¹⁾	Position Presently Held	Principal Occupation	Director Since	Shares Beneficially Owned, Controlled or Directed ⁽⁸⁾
David D. Johnson Alberta, Canada	Chairman ⁽²⁾	Our Chairman	July 2004	3,396,200
Donald F. Archibald ⁽³⁾⁽⁵⁾ Alberta, Canada	Director	President, Cypress Energy Corp. (a private investment corp.)	January 2009 ⁽⁹⁾	2,039,207
John A. Brussa ⁽⁴⁾⁽⁵⁾ Alberta, Canada	Director	Partner, Burnet Duckworth & Palmer LLP (law firm)	January 2009 ⁽⁹⁾	222,276
Howard J. Crone ⁽³⁾⁽⁶⁾ Alberta, Canada	Director	Executive Vice President and COO of Cequence Energy Ltd.	January 2009 ⁽⁹⁾	2,183,418
Michael R. Culbert Alberta, Canada	President and CEO and Director ⁽⁷⁾	Our President and CEO	January 2009	1,686,489
R. Scott Lawrence ⁽³⁾ Ontario, Canada	Director	Vice President, Head of Relationship Investments of CPPIB	October 2010	Nil ⁽¹⁰⁾
Brian A. McLachlan ⁽⁴⁾⁽⁶⁾ Alberta, Canada	Director	President and CEO of Yoho Resources Inc.	July 2004	159,495
Gary E. Perron ⁽³⁾⁽⁴⁾ Alberta, Canada	Director	Managing Director and Senior Vice President, BMO Nesbitt Burns Inc.	July 2004	4,308,841
Terrance D. Svarich ⁽⁵⁾⁽⁶⁾ Alberta, Canada	Director	President, Devsun Ltd. (a private investment company)	July 2004	216,498

Notes:

- (1) The information on residence, principal occupation and shares beneficially owned is not within our knowledge and has been furnished by the respective nominees.
- (2) Mr. Johnson has been our Chairman since March 1, 2011 and prior to this he was our Executive Chairman from January 15, 2009 to February 28, 2011 and prior thereto he was President and CEO of ProEx Energy Ltd. ("**ProEx**").
- (3) Member of the Audit Committee.
- (4) Member of the Compensation Committee.
- (5) Member of the Corporate Governance and Nominating Committee.
- (6) Member of the Reserve Committee.
- (7) Mr. Culbert has been our President and CEO since January 15, 2009 and prior to this he was the President and CEO of Progress Energy Ltd. ("**PEL**").
- (8) Messrs. Archibald, Brussa, Crone and Perron also each hold 6,500 Progress Performance Units and 17,340 Restricted Share Units. Messrs. Svarich and McLachlan each hold 17,340 Restricted Share Units. Mr. Culbert holds 630,000 Progress stock options, 31,688 Progress Performance Units and 46,000 Performance Share Units. Mr. Johnson holds 550,000 Progress stock options, 31,688 Progress Performance Units and 46,000 Performance Share Units. Messrs Brussa, Crone and Johnson each hold \$200,000 Progress 5.75% Series B Convertible Unsecured Subordinated Debentures and Messrs Archibald and McLachlan each hold \$100,000 Progress 5.75% Series B Convertible Unsecured Subordinated Debentures.
- (9) Messrs. Archibald, Brussa and Crone became directors following the completion of a plan of arrangement (the "**Arrangement**") on January 15, 2009 involving Progress Energy Trust (the "**Trust**"), PEL, ProEx and certain other parties. Messrs. Archibald, Brussa and Crone were directors of PEL from July 2004 to January 2009.

(10) Mr. Lawrence is Vice President, Head of Relationship Investments of CPPIB which holds 34,083,488 common shares of Progress.

It should be noted that the number of proposed directors are or have been directors of other public corporations.

Mr. John Brussa was a director of Imperial Metals Limited, a corporation engaged in both oil and gas and mining operations, in the year prior to that corporation implementing a plan of arrangement under the *Company Act* (British Columbia) and under the *Companies' Creditors Arrangement Act* (Canada) which resulted in the separation of its two businesses and the creation of two public corporations: Imperial Metals Corporation and IEI Energy Inc. (which became Rider Resources Ltd.). The plan of arrangement was completed in April 2002.

Except as described above, no proposed director is as at the date hereof, or has been, within 10 years of the date hereof, a director or chief executive officer or chief financial officer of any company, including Progress:

- (a) while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- (b) was subject to a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer,
- (c) while that person was acting in that capacity or within a year of that person ceasing to act in that capacity became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (d) has, within the 10 years before the date of this information circular - proxy statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

In addition, no proposed director of Progress has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

The proposed directors listed above have held their principal occupations for in excess of five years except as follows:

Mr. David D. Johnson, 60, has been our Chairman since March 2011 and prior to that he was our Executive Chairman from January 2009 to February 2011. Prior to this he was President and Chief Executive Officer from July 2004 to January 2009. Prior thereto Mr. Johnson was the President and Chief Executive Officer of PEL from November 2001 to July 2004 and the President and Chief Executive Officer of Encal Energy Ltd. from July 1994 to April 2001. Mr. Johnson has over thirty five years of diverse experience in the oil and gas industry including a background in production, reservoir evaluation and operations. He has a B.Sc. in Petroleum Engineering, is a member of the Canadian Institute of Mining, Metallurgy and Petroleum as well as the Association of Engineers, Geologists and Geophysics of Alberta and has served twice as a Governor of the Canadian Association of Petroleum Producers.

Mr. Donald Archibald, 50, has been the President of Cypress Energy Corp., a private investment company, since March 2008. Prior to this Mr. Archibald was the Chairman & Chief Executive Officer of Cyries Energy Inc. from July 2004 to March 2008. Prior thereto Mr. Archibald was the President and Chief Executive Officer of Cequel

Energy Inc. from January 2002 to July 2004 and the President and Chief Executive Officer of Cypress Energy Inc. from 1995 to March 2001. He has considerable public company experience and holds a Bachelor of Commerce Degree and a Masters of Business Administration.

Mr. John A. Brussa, 54, is a partner of Burnet, Duckworth & Palmer LLP since 1987 and is presently the head of its Tax Department. Mr. Brussa received his Bachelor of Laws Degree from the University of Windsor in 1981 and currently serves as a director of a number of publicly listed resource corporations and several non-profit or charitable organizations.

Mr. Howard J. Crone, 48, has been the Executive Vice President and Chief Operating Officer of Cequence Energy Ltd. Since September 2010. Prior to this Mr. Crone was the President and CEO of Cequence Energy Ltd. from August 2009 to September 2010. Prior thereto Mr. Crone was an independent businessman from July 2004 to August 2009. Prior thereto he was Vice President, Corporate Development and Chief Operating Officer of Cequel Energy Inc. from August 2003 to July 2004 and prior thereto was Vice President, Operations and Chief Operating Officer of Cequel Energy Inc. from January 2002 to August 2003. Prior thereto Mr. Crone was Vice President, Operations and Chief Operating Officer of Cypress Energy Inc. from April 1996 to March 2001. He has a B.Sc. in Chemical Engineering and is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta.

Mr. Michael R. Culbert, 53, has been our President and Chief Executive Officer since January 2009. Prior to that he was the President and Chief Executive Officer of PEL from July 2004 to January 2009. Prior thereto Mr. Culbert was the Vice President of Marketing and Business Development of PEL from November 2001 to July 2004 and Vice President of Marketing and Business Development of Encal Energy Ltd. from 1995 to October 2001. Mr. Culbert holds a B.Sc. in Business Administration.

Mr. R. Scott Lawrence, 37, is Vice President, Head of Relationship Investments of CPPIB since March 2009. Prior to this he was Senior Principal, Private Investments, and Infrastructure of CPPIB from September 2005 to February 2009. Prior thereto Mr. Lawrence was a Senior Associate for Onex Corporation and a finance professional at GE Plastics and GE Capital Real Estate. Mr. Lawrence holds a Bachelor of Commerce (Honours) from Queen's University and a MBA from Harvard Business School.

Mr. Brian A. McLachlan, 53, has been the President and CEO of Yoho Resources Inc. since January 2005. Prior to that, he was a consultant in the oil and gas industry from December 2003 to January 2005, the President and CEO of Taurus Exploration Ltd. from October 1998 to December 2003 and the President and CEO of Paragon Petroleum Ltd. prior to October 1998. Mr. McLachlan has a Bachelor of Science (Geology) Degree.

Mr. Gary E. Perron, 55, is a Managing Director & Senior Vice President with BMO Nesbitt Burns Inc. and has provided investment advisory services for more than 30 years. He holds a Bachelor of Commerce Degree (Honours) and holds the Chartered Financial Analyst designation. Mr. Perron is Chairman of the Advisory Committee for the Norrep Group of funds which currently manages six mutual funds and two limited partnerships.

Mr. Terrance D. Svarich, 57, has been President of Devsun Ltd., a private investment company, for the past seven years. For ten years prior to this, Mr. Svarich was the President of a number of oil and gas companies in Calgary and he has over 30 years of experience in the oil and gas industry. Mr. Svarich has a Bachelor of Science (Engineering) Degree.

Appointment of Auditors

Management is soliciting proxies, in the accompanying form of proxy, in favour of the appointment of the firm of KPMG LLP, Chartered Accountants, as our auditors, to hold office until the next annual and special meeting of our shareholders and to authorize our directors to fix their remuneration as such. See "*Audit Committee Information*" in our Annual Information Form for additional information regarding our Audit Committee including the fees we paid to KPMG LLP in the past two years.

Reduction of Stated Capital

At the Meeting, shareholders will be asked to consider and, if deemed advisable, to approve by way of special resolution, a reduction in the stated capital of our common shares by an amount equal to our deficit calculated as at January 1, 2010 in accordance with International Reporting Standards ("**IFRS**") (the "**Stated Capital Reduction**"). Our deficit as at January 1, 2010, calculated in accordance with Canadian generally accepted accounting principles ("**Canadian GAAP**") was approximately \$277 million. As a result of two fundamental reporting differences between IFRS and Canadian GAAP described below, we expect our deficit calculated as at January 1, 2010 in accordance with IFRS will increase to approximately \$670 million.

The first fundamental difference impacting us relates to how goodwill is tested for impairment. Under IFRS, we are required to apply the standards under International Accounting Standard 36 "*Impairment of Assets*" on the January 1, 2010 transition date. Under Canadian GAAP, goodwill is tested for impairment by comparing the fair value of the Corporation as a whole less the fair value of our identifiable assets and liabilities. A write-down of the carrying value of goodwill may be required if the fair value of the identifiable assets, less the fair value of liabilities, exceed the value of us, being primarily the value of our oil and natural gas reserves. Under IFRS, goodwill is tested for impairment at the cash generating unit level ("**CGU**"). The carrying value of the CGU including goodwill is compared to the fair value of the CGU and any excess of the carrying value over the fair value is considered an impairment. As the goodwill impairment under IFRS is performed on a much smaller portion of our assets (i.e. at the CGU level), we expect to recognize a pre-tax goodwill impairment loss of approximately \$372 million at the transition date with a corresponding reduction in retained earnings, which will result in a substantial increase in our deficit.

The second fundamental difference impacting us as a result of the conversion to IFRS relates to the discount rate used to measure our asset retirement obligation ("**ARO**"). Under Canadian GAAP a credit adjusted risk free rate is used, whereas IFRS allows the use of a risk free rate when the expected cash flows are risked. Based on recent comments made by the standard setters and positions within the industry, we believe a risk free rate is more appropriate. As a result, on transition, using a risk free rate of four percent, we expect to have an increase to our ARO liability of approximately \$26 million with a corresponding reduction in retained earnings.

The combination of these two fundamental differences, together with the impact of distributions from our previous income trust structure, will result in a deficit calculated as at January 1, 2010 of approximately \$670 million. The reduction of the stated capital of the common shares by approximately \$670 million and a corresponding reduction of the Corporation's deficit, will result in the elimination of the deficit calculated as at January 1, 2010.

Our board believes that the Stated Capital Reduction will benefit us on a go-forward basis by better representing our current corporate structure and reporting under IFRS. Accordingly, at the Meeting, shareholders will be asked to consider, and if deemed viable to approve a special resolution, with or without variation, as follows:

"BE IT RESOLVED, AS A SPECIAL RESOLUTION OF THE HOLDERS OF COMMON SHARES, THAT:

1. the stated capital of the common shares of Progress Energy Resources Corp. (the "**Corporation**") be reduced by an amount equal to the Corporation's deficit calculated as at January 1, 2010 in accordance with International Reporting Standards, all as more particularly described in the Corporation's information circular - proxy statement dated April 1, 2011;
2. any one director or officer of the Corporation be and is hereby authorized and empowered on the Corporation's behalf to do and perform all such acts and things and to execute and deliver or cause to be executed and delivered for, in the name of and on behalf of the Corporation (whether under corporate seal or otherwise), all such deeds, documents or other instruments as in his or her opinion may be necessary and desirable in order to perform the terms of this resolution; and

3. notwithstanding that this resolution has been passed by shareholders, the directors of the Corporation are hereby authorized to and empowered to revoke this resolution, without any further approval of the shareholders, at any time if such revocation is considered necessary or desirable by the directors."

Pursuant to the provisions of the *Business Corporations Act* (Alberta), the foregoing resolution must be approved by not less than two-thirds of the votes cast at the Meeting, in person or by proxy, on the resolution. The Stated Capital Reduction will have no immediate income tax consequences to a holder of common shares. The Stated Capital Reduction may have an effect in the future, in certain circumstances, if we are wound up or make a distribution to our shareholders, or if we redeem, cancel or acquire our common shares. As a general rule, upon such transactions, a holder of common shares will be deemed to have received a dividend to the extent that the amount paid or distributed exceeds the stated capital of the common shares.

Our board of directors recommends that shareholders vote in favour of the Stated Capital Reduction. Unless otherwise directed, our management nominees in the enclosed form of proxy will vote FOR the foregoing special resolution approving the Stated Capital Reduction.

REPORT ON EXECUTIVE COMPENSATION

Compensation Committee

The Compensation Committee of our board of directors (the "**Committee**") exercises general responsibility regarding overall employee and executive officer compensation. It determines, subject to board approval, the total compensation of the Chief Executive Officer and other executives. The Committee, comprised of Messrs. Gary Perron (Chairman), John Brussa and Brian McLachlan meet with management to review its recommendations on compensation of employees including the Chief Executive Officer's compensation.

Compensation Committee Report on Compensation

The purposes of our compensation policy is to attract and retain individuals of high calibre to serve as executive officers and employees of Progress, to motivate their performance in order to achieve our strategic objectives, and to align the interests of executive officers and employees with the long-term interests of our shareholders. Progress recognizes the need to deliver a compensation package that recognizes top performance and the ability to attract and retain top performers. Compensation for all of the officers, including the Chief Executive Officer, is reviewed against prevailing industry compensation practices for oil and gas companies, Progress' performance in achieving certain goals and Progress' performance in relation to the performance of Progress' peers (Advantage Oil & Gas Ltd., ARC Resources Ltd., Baytex Energy Corp., Bonavista Energy Corporation, Crew Energy Inc., Enerplus Corporation, NAL Energy Corporation, NuVista Energy Ltd., Perpetual Energy Inc., Pengrowth Energy Corporation, Peyto Exploration and Development Corp. and Vermillion Energy Inc.). Progress does not have a pension plan or post-employment compensation and benefits in place for any of its employees.

The measurements used in determining compensation for Progress' Chief Executive Officer and other executives include:

- (1) Operating and financial performance relative to budgets and objectives.
- (2) Percentile rank of reserve and production additions per debt adjusted share relative to Progress' peer comparison group.

While annual compensation awards made to the Chief Executive Officer and other executive are based on current year corporate and individual performance, the ultimate value from long-term components is linked to and dependent upon Progress' ability to replicate and sustain annual performance over the longer term. The Chief Executive Officer's compensation is also measured giving consideration to scope of responsibilities and leadership.

The Committee relies on various external sources of information. Mercer (Canada) Ltd. ("**Mercer**") was retained as an independent consultant and was not retained by Progress in any other manner. Mercer provided market data on executive and non-executive compensation and a technical analysis of the market data in light of the Corporation's

compensation plans and practices. The Committee took into account information provided by Mercer and other factors in determining executive and non-executive base salaries, bonus and long term compensation for 2010. The Mercer market data provided to the Committee consisted of Mercer Total Compensation Survey for the Energy Sector and specifically to Progress' industry segment, exploration and production. For 2010, Mercer's fees as the Committee's advisor totalled \$9,000 (2009 \$8,000). In addition to Mercer, the Committee engaged its own independent consultant, Total Rewards Professionals, to assist in determining the appropriateness of compensation of the Chief Executive Officer and other executives. For 2010, Total Rewards Professional fees as the Committee's advisor totalled \$18,000 (2009 \$6,000). All services provided by Total Rewards Professionals to the Corporation, beyond their role as advisor to the Committee, required written pre-approval by the Chairman of the Committee outlining the scope of work and related fees.

To ensure that our long term compensation programs were effective in delivering on their intended purpose, in 2010 the Committee reviewed modeled compensation scenarios for Progress' executive officers that illustrated the impact of various future corporate performance outcomes on previously awarded and outstanding compensation. The Committee found that the intended relationship between pay and performance was appropriate for our executive officers, and that, in aggregate, the resulting compensation modeled under various performance scenarios was reasonable, not excessive and delivered the intended differentiation of compensation value based on performance.

Compensation was provided in four basic forms: base salary (including employee benefits which consisted primarily of medical, health and life insurance), savings plan participation, bonus and a long term incentive component.

The purpose of our compensation program is to provide base salary compensation that is adequate, an element of long-term security through the employee benefits program, and the potential for significant rewards for group performance through the bonus, share unit plan and stock option plan. The Committee believes that the compensation program is aligned with securityholder interests.

Base Salary: The Committee utilized industry comparative data to ensure that the Corporation's employees were compensated competitively, with pay for performance increasing in relationship to responsibility. The Committee strived to set all executive annual salaries at a level comparable to executive officers of comparable oil and gas companies based upon a review of independently prepared compensation information from Mercer and Total Rewards Professionals. Base salary compensation was also dependent on individual performance, and general economic factors (e.g., inflation). For the Chief Executive Officer and other executives base salary was targeted to 50th percentiles based on Mercer market data. For the executive group, base pay was intended to be the least significant long term contributor to their overall compensation.

Savings Plan: The savings plan provides an opportunity for employees to invest in common shares on a monthly basis. The program was implemented to assist in aligning employee's interests with Progress' interests by making employees owners. This is a voluntary plan that allows all eligible employees, including executive officers, to contribute to the savings plan with a corresponding matching by Progress of up to 10% of their base salary. All contributions are used to purchase shares on the Toronto Stock Exchange.

Bonus: The bonus plan is a broad based plan available to all employees, including the executive officers, that benchmarks performance against budget targets. The bonus plan is based on individual and corporate performance, driven by the costs of reserves per debt adjusted share, production per debt adjusted share as well as production and general and administrative costs per barrel of oil equivalent. In a successful year the bonus, combined with base salary is intended to exceed industry mid points in total compensation. Annual cash bonus targets are between the 50th to the 75th percentile based on Mercer market data. For the executive officers, the bonus target range is between 40% to 75% of base salary and could range from zero to 150% of annual base salary based on achieving outstanding targets.

In determining the President and Chief Executive Officer's bonus the Committee considered his responsibilities for the overall direction and leadership of the business and affairs of the Corporation in order to:

- Achieve performance targets and objectives set out in an approved budget and aligned with the strategic plan;

- Develop and execute a corporate strategy designed to achieve sustained debt adjusted per share measures with an objective of maximizing shareholder value which takes into account opportunities and risks of the business;
- Direct and monitor the activities of the Corporation in a manner that ensures that the assets of Progress are safeguarded and optimized in the best interests of our securityholders;
- Identify all significant risks of the business and ensure the implementation of systems to manage and mitigate these risks in the best interest of securityholders;
- Maintain high standards for environment, health and safety performance;
- Develop, manage and oversee a communication plan for the shareholders of Progress and act as the principal spokesperson for the Corporation;
- Foster best practices in corporate governance; and
- Foster a corporate culture that promotes ethical practices and encourages individual integrity and social responsibility.

Share Unit and Stock Option Plans: The long term incentive program includes a mix of restricted units ("**Restricted Unit Awards**"), performance units ("**Performance Unit Awards**") and stock options. Grants are based on a director, officer and employee's organizational level, individual performance and role within the business, with the mix changing with organizational level and role in creating and sustaining organizational and shareholder value. Independent third party compensation consultant(s), the Chief Executive Officer and the Committee review our plans annually to ensure our long term compensation program is effective in delivering on its intended purpose. The purposes of the long term incentive program is to attract and retain individuals of high calibre to serve as executive officers and employees of Progress, to motivate their performance in order to achieve our strategic objectives, and to align the interests of executive officers and employees with the long-term interests of our shareholders. Progress recognizes the need to deliver a long term compensation package that recognizes top performance and the ability to attract and retain top performers. For the Chief Executive Officer and other executives compensation is more heavily compensated with equity based programs based on putting pay for performance. Performance Unit Award, Restricted Unit Award grants and, commencing in 2012, stock option grants are presented to the Committee for grant approval annually.

Share Unit Plan

The share unit plan (the "**Share Unit Plan**") authorizes our Committee to administer the Share Unit Plan to grant awards ("**Unit Awards**") of Restricted Unit Awards and Performance Unit Awards to our directors, officers and employees and any of our controlled entities such as a subsidiary, partnership or trust (a "**Progress Entity**"). Non-management directors are not eligible to receive Performance Unit Awards. They are only eligible to receive Restricted Unit Awards under the Share Unit Plan.

The principal purposes of the Share Unit Plan are to retain and attract qualified directors, officers and employees and to promote a proprietary interest in Progress by such persons. Further, the plan intends to encourage such persons to remain in the employ or service of the Progress Entities and put forth maximum efforts for the success of our affairs and to focus management on operating and financial performance and long-term shareholder returns.

Under the terms of the Share Unit Plan, employees may be granted Restricted Unit Awards or Performance Unit Awards. Each Restricted Unit Award will vest in accordance with applicable time vesting conditions (relating to the continued service with us and which may be graduated by percentages of a Unit Award). Each Performance Unit Award will vest in accordance with applicable performance vesting conditions. For this purpose, performance vesting conditions mean any performance-related conditions in respect of vesting, which may include our performance, Progress shareholder return or otherwise and which maybe graduated by percentages of a Unit Award, including a percentage in excess of 100%. Pursuant to the Share Unit Plan, the Committee may in its sole and absolute discretion impose additional or different vesting conditions to the time vesting or performance vesting conditions. Although the Committee has the absolute discretion, performance factors will typically range from 0.5 to 1.5 times for employees and zero to 3.0 times for executives.

Unit Awards will be settled through the issuance of shares from treasury or acquired by us on the Toronto Stock Exchange, or a combination thereof, at our discretion, as fully paid and non-assessable shares valued at not less than

the fair market value of the number of shares covered by the Unit Award at the grant date. In addition, at any time when the shares are listed and posted for trading on the Toronto Stock Exchange, we may elect to settle Unit Awards by the payment of an amount in cash equal to the aggregate current market value of the shares to be issued. For this purpose, fair market value with respect to a share, as at any date means the weighted average of the shares traded on the Toronto Stock Exchange for the five trading days on which the shares traded on the exchange immediately preceding such date.

Unless otherwise approved by our shareholders, the maximum number of shares that may be issued from treasury for issuance from time to time pursuant to Unit Awards shall be not more than 1,700,000 shares. Unit Awards may be granted prior to approval by our shareholders provided that such grant is conditional upon approval of our shareholders or an increase in the number of shares issuable, as the case may be. If the approval of our shareholders is not obtained within 12 months of the date of any grant of any Unit Awards such Unit Awards will be cancelled. If any Unit Awards granted under the Share Unit Plan expire, terminate or are cancelled for any reason without having been settled in full, any unissued common shares to which such Unit Awards relate shall be available for the purposes of the granting of further Unit Awards under the Plan.

The aggregate number of shares issuable to any single employee pursuant to outstanding Unit Awards shall not exceed 10% of our issued and outstanding common shares. In addition, the number of shares issuable to insiders (as defined by the Toronto Stock Exchange for this purpose) at any time, under all of our security based compensation arrangements, shall not exceed 10% of the issued and outstanding shares and the number of shares issued to insiders, within any one year period, under all of our security based compensation arrangements, shall not exceed 10% of the issued and outstanding common shares. The participation of each non-management director in the Share Unit Plan is limited to the lesser of (a) 1% of our issued and outstanding shares; and (b) an annual equity award value of \$100,000, with the value of each Unit Award calculated at the time of grant.

The vesting and expiry dates of Unit Awards may be extended in the event of an approved leave of absence (for non-insiders only) (not to exceed one year from the Unit Award initial expiry date) or in the event of a blackout period imposed upon a grantee, in which case such vesting date and expiry date shall be extended to the date which is ten business days from the date that the blackout period ends. For this purpose, a blackout period is a period of time imposed by our board of directors pursuant to our insider trading and disclosure policies on certain designated persons during which those persons may not trade in any of our securities. Notwithstanding the foregoing, the Share Unit Plan provides that the maximum vesting period for a Unit Award grant shall not exceed the day immediately prior to the third anniversary of the grant date.

The Share Unit Plan provides for an adjustment to the number of shares to be issued pursuant to Unit Awards by an amount equal to a fraction having as its numerator the amount of the aggregate dividends per share during the term of the Unit Awards and having as its denominator the fair market value of the shares on the day prior to issue. For this purpose, fair market value is the weighted average trading price of the shares on the Toronto Stock Exchange for the five trading days immediately preceding such date.

In the event of a Change of Control (as defined in the Share Unit Plan), all outstanding Unit Awards then held by the employee will fully vest on the earlier of: (i) the next applicable vesting date; and (ii) the date immediately prior to the date that the Change of Control is completed.

Pursuant to the Share Unit Plan, unless otherwise determined by the Committee or unless otherwise provided in a Unit Award agreement pertaining to a particular grant or any written employment agreement, if a grantee ceases to be an employee for any reason whatsoever, including termination without cause, other than the death, disability or retirement of the employee, effective as of the earlier of the vesting date applicable to the Unit Award and the date that is 30 days after the Cessation Date (the date of the termination of employment of the employee, regardless of any notice) all outstanding Unit Award agreements under which Unit Awards have been made to such grantee, whether Performance Awards or Restricted Unit Awards, shall be immediately terminated and all rights to receive shares thereunder shall be forfeited by the grantee.

If a grantee ceases to be an employee as a result of such grantee's death or disability, effective as of the earlier of the Expiry Date and the date that is six months after the Cessation Date all outstanding Unit Award agreements under

which Unit Awards have been made to such grantee, whether Performance Unit Awards or Restricted Unit Awards, shall be immediately terminated and all rights to receive shares thereunder shall be forfeited.

No assignment, sale, transfer, pledge or charge of a Unit Award, whether voluntary, involuntary, by operation of law or otherwise (except by will or the laws of descent and distribution), vests any interest or right in a Unit Award whatsoever in any assignee or transferee and, immediately upon any assignment, sale, transfer, pledge or charge or attempt to assign, sell, transfer, pledge or charge, such Unit Award shall terminate and be of no further force or effect.

We have the right to amend the terms and conditions of the Share Unit Plan or any Unit Awards granted under it from time to time, or to terminate the Share Unit Plan without shareholder approval. However, the Share Unit Plan or any Unit Award granted under it, may not be amended without shareholder approval to: (a) increase the number of shares under the Share Unit Plan issuable on exercise of Unit Awards; (b) extend the expiry date of any outstanding Unit Awards; (c) permit a grantee to transfer or assign Unit Awards to a new beneficial holder other than for estate settlement purposes; (d) any amendment to the limits on non-management directors contained in the Share Unit Plan; (e) any amendment to increase the number of shares that may be issued to insiders above the restriction contained in Section 5 of the Share Unit Plan or (f) amend the amendment provisions of the Share Unit Plan to delete any of the foregoing matters requiring shareholder approval. No amendment of the Share Unit Plan or Unit Awards granted pursuant to the Share Unit Plan may be made without the consent of the grantee, if it adversely alters or impairs the rights of the grantee in respect of any Unit Award previously granted to such grantee under the Share Unit Plan.

The Share Unit Plan contains anti-dilution provisions which allow the Committee to make such adjustments to the Share Unit Plan, to any Unit Awards and to any Unit Award Agreements outstanding under the Share Unit Plan as the board of directors may, in its sole discretion, consider appropriate in the circumstances to prevent dilution or enlargement of the rights granted to employees thereunder.

Stock Option Plan

The purpose of the stock option plan (the "**Stock Option Plan**") is to develop the interest of the directors, officers and employees of, and certain other persons providing services on an ongoing basis (collectively the "**Optionees**") to us and any of Progress' subsidiaries, partnerships, trusts and other controlled entities in our growth and development by providing them with the opportunity to acquire a proprietary interest in us.

The Stock Option Plan authorizes the Committee to grant options ("**Stock Options**") to Optionees to acquire shares.

Unless otherwise approved by our shareholders, the Stock Option Plan provides that 10,000,000 shares will be set aside and reserved for the granting of Stock Options under the Stock Option Plan. Stock Options may be granted under the Stock Option Plan prior to approval by our shareholders of Stock Option Plan or any increase in the number of shares issuable thereunder provided that such grant is conditional upon approval of our shareholders of the Stock Option Plan or an increase in the number of shares issuable, as the case may be. If shareholder approval is not obtained within 12 months of the date of any grant of any Stock Options such Stock Options will be cancelled. If any Stock Options granted under the Stock Option Plan expire, terminate or are cancelled for any reason without having been exercised in full, any unpurchased shares to which such Stock Options relate shall be available for the purposes of the granting of further Stock Options under the Stock Option Plan. The aggregate number of shares issuable to any single Optionee pursuant to outstanding Stock Options shall not exceed 10% of our issued and outstanding shares. In addition, the number of shares issuable to insiders (as defined by the Toronto Stock Exchange for this purpose) at any time, under all of our security based compensation arrangements, shall not exceed 10% of the issued and outstanding shares and the number of shares issued to insiders, within any one year period, under all of our security based compensation arrangements, shall not exceed 10% of the issued and outstanding shares. Non-management directors will not be eligible to participate in the Stock Option Plan.

The Stock Option Plan provides that the maximum expiry date for a Stock Option grant shall not exceed five years from the date of grant, subject to extension in the event of an approved leave of absence (for non-insiders only) (not to exceed one year from the applicable expiry date) or in the event of a blackout period imposed upon an Optionee, in which case such expiry date shall be extended to the date which is ten business days from the date that the

blackout period ends. For this purpose, a blackout period is a period of time imposed by the board of directors pursuant to its insider trading and disclosure policies on certain designated persons during which those persons may not trade in any of our securities. Any Stock Options, which have not been exercised by the expiry date, shall expire and become null and void.

Pursuant to the Stock Option Plan, unless otherwise determined by the Committee or unless otherwise provided in a stock option agreement pertaining to a particular grant or any written employment agreement, if an Optionee ceases to be a director, officer or employee for any reason whatsoever, including termination without cause, other than the death or disability of the Optionee, the Optionee may, prior to the applicable expiry date and within 30 days after the Cessation Date (the date of the termination of employment of the Optionee, regardless of any notice) exercise all Stock Options held by the Optionee which had vested on or prior to the Cessation Date, after which time the Stock Option shall terminate.

Unless otherwise determined by the Committee or unless otherwise provided in a stock option agreement pertaining to a particular grant or any written employment agreement, if an Optionee ceases to be a director, officer or employee as a result of such Optionee's death or disability, the Optionee may, prior to the applicable expiry date and within six months after the Cessation Date, exercise all Stock Options held by the Optionee which had vested during or prior to the six month period, after which time the Stock Option shall terminate.

The exercise price (the "**Exercise Price**") of any Stock Option granted pursuant to the Stock Option Plan shall be determined when the Stock Option is granted, provided that the price cannot be less than the Market Price of the shares on the date of the grant. "Market Price", on any date, is the volume weighted average trading price of the shares on the Toronto Stock Exchange for the five trading days prior to the date of grant.

The right to receive shares granted pursuant to a Stock Option to an Optionee may only be exercised by such Optionee personally or through the Optionee's personal representative or estate and no assignment, sale, transfer, pledge or charge of a Stock Option, whether voluntary, involuntary, by operation of law or otherwise (except by will or the laws of descent and distribution), vests any interest or right in such Stock Option whatsoever in any assignee or transferee and, immediately upon any assignment, sale, transfer, pledge or charge or attempt to assign, sell, transfer, pledge or charge, such Stock Option shall terminate and be of no further force or effect.

Optionees have the right (the "**Put Right**") to request that we purchase each of their vested Stock Options for a price equal to the difference, if positive, between the market price of the shares on the day prior to date of notice of exercise of the Put Right and the exercise price of the Stock Option. Progress may, within its sole discretion choose to not accept any exercise of the Put Right. In addition, each Optionee that exercises the Put Right may purchase shares from treasury with the proceeds of the exercise of the Put Right at the market price of the shares.

The Stock Option Plan does not provide for any financial assistance to be provided by us to facilitate the exercise of a Stock Option.

If, during the term of a Stock Option, a non-exempt take-over bid is made for the shares, we will give notice of such take-over bid to all Optionees immediately upon becoming aware of such take-over bid and in any event at least 14 days before the expiration of such take-over bid. Each Optionee will then have the right to exercise their Stock Options to purchase all of the shares optioned to them which have not previously been purchased, but such shares may only be purchased for tender pursuant to such take-over bid. If for any reason such common shares are not so tendered or, if tendered, are not, for any reason, taken up and paid for pursuant to the take-over bid, any such common shares so purchased by an Optionee shall be and shall be deemed to be cancelled and returned to our treasury shall be added back to the number of Stock Options, if any, remaining unexercised and upon presentation to us of certificates representing such shares properly endorsed for transfer back to it, we will refund the Optionee all consideration paid the Optionee in the initial purchase thereof.

Notwithstanding any other provision in the Stock Option Plan and any Stock Option agreements, if there takes place a Change of Control (as defined in the Stock Option Plan) (other than a non-exempt take-over bid referred to above), at any time before the expiry time of a Stock Option, we will give notice of such Change of Control to all Optionees at least 14 days before the effective date of such Change of Control. Each Optionee shall have the right, whether or not such notice is given to it by us, to exercise all Stock Options to purchase all of the shares optioned to them

(whether vested or unvested), which have not previously been purchased in accordance with the Stock Option Plan and any Stock Option agreements. All Stock Options not exercised prior to the effective time of the Change of Control shall be and shall be deemed to have been cancelled and shall be of no further force or effect. If for any reason such Change of Control is not effected, any such shares so purchased by an Optionee shall be, and be deemed to be, cancelled and returned to our treasury, shall be added back to the number of Stock Options, if any, remaining unexercised and upon presentation to us of the certificates representing such shares properly endorsed for transfer back to us, we will refund the Optionee all consideration paid by the Optionee in the initial purchase thereof.

We have the right to amend from time to time the terms and conditions of the Stock Option Plan or any Stock Options granted under it, or terminate the Stock Option Plan, by resolution of the board of directors without shareholder approval. However, the Stock Option Plan or any Stock Option granted under it, may not be amended without shareholder approval to: (a) increase the number of common shares under the Stock Option Plan issuable on exercise of Stock Options; (b) reduce the Exercise Price of or cancel and re-issue any Stock Option granted pursuant to the Stock Option Plan; (c) extend the Expiry Date of any outstanding Stock Options; (d) amend Section 4(d) of the Stock Option Plan to enable non-management directors to be eligible to participate in the Stock Option Plan; (e) permit an Optionee to transfer or assign Stock Options to a new beneficial holder, other than for estate settlement purposes; (f) any amendment to increase the number of shares that may be issued to Insiders above the restrictions contained in Section 4 of the Stock Option Plan; or (e) amend the amendment provisions of the Stock Option Plan to delete any of the foregoing matters requiring shareholder approval. No amendment of the Stock Option Plan or Stock Options granted pursuant to the Stock Option Plan may be made without the consent of the Optionee, if it adversely alters or impairs the rights of the Optionee in respect of any Stock Option previously granted to such Optionee under the Stock Option Plan.

The Stock Option Plan contains anti-dilution provisions which allow our board of directors to make such adjustments to the Stock Option Plan, to any Stock Options and to any Stock Option Agreements outstanding under the Stock Option Plan as our board of directors may, in its sole discretion, consider appropriate in the circumstances to prevent dilution or enlargement of the rights granted to Optionees thereunder.

Performance Unit Incentive Plan of the Trust

The Trust had a Performance Unit Incentive Plan (the "**Plan**") in place prior to the Arrangement, which provided for directors, officers, consultants, employees and other service providers ("**Service Providers**") to be granted performance units from time to time. The Plan was a phantom full-value trust unit performance plan using the value of trust units as the basis for the performance units. Each performance unit was equal in value to one trust unit. Eligible Service Providers received target level grants of performance units to be settled at the end of the Plan term, which was three years for each grant. Actual payouts are dependent on performance against selected performance measures relative to the Trust's peers which determined the performance factor. The plan was modified in 2007 to include a new long term incentive ("**LTI**") component ("**LTI component**") for non-executive employees. Awards granted under the LTI component of the Plan vest over three years. Pursuant to the Arrangement, the Plan was discontinued. As at April 1, 2011 there were 385,500 performance units outstanding under the Plan.

ProEx Stock Option Plan

ProEx had granted stock options and shares to employees and executives of the Trust as service providers and had also participated in the long term component of the Plan by granting shares to employees of the Trust, including the President and Chief Executive Officer and other executives. Pursuant to the Arrangement, the Plan was discontinued. As at April 1, 2011 there were 1,121,367 stock options outstanding under the ProEx stock option plan.

Chief Executive Officer's and Executive's Accomplishments in 2010

Strategic Leadership

- Established Progress as a premier natural gas investment in the Canadian marketplace as evidenced by the Company's top quartile trading multiples;

- Actively managed the capital expenditure program over the year, ensuring capital discipline during a period of soft natural gas prices;
- Initiated a joint venture process on a portion of the Company's land base in the North Montney fairway to assist in the funding of future capital investment programs;
- Maintained a strong relationship with major shareholders;
- Led Progress' inaugural investor day in November 2010;

Growth and Value Initiatives

- Acquired certain northeast British Columbia Foothills assets for \$389.2 million (the "**Foothills Acquisition**"). The Foothills Acquisition assets are immediately adjacent to the Company's producing assets in the Town, Bubbles and Blueberry/Beg areas and represent a strategic fit with the Company's existing northeast British Columbia Foothills properties. The assets included production of approximately 7,300 boe per day, 91 percent natural gas, and approximately 188,000 net acres of undeveloped land;
- Financed the Foothills Acquisition and a portion of the Company's 2010 capital investment program with issuance of common shares for total gross proceeds of \$600.1 million. The share issuance was comprised of a \$350 million subscription receipt private placement with the CPPIB and a concurrent \$250 million subscription receipt bought-deal financing through a syndicate of underwriters;
- Developed the relationship with CPPIB, a long-term and patient capital provider;
- Throughout 2010 advanced the Montney plans to six development pods in the Foothills of northeast British Columbia (Altares, Caribou, Gundy, Kobes, Town North and Town South). Progress expects that each pod can be developed to a 50 million cubic feet ("**mmcf**") per day natural gas asset, with sufficient well inventory remaining to maintain that production level for 10 years;

Operating Performance

- The Company compares the production per share performance year over year on a basic (before debt adjusted) and debt adjusted basis to the Company's peer group. In 2010, Progress' production per share performance was in the top half of its peers;
- Grew production by 36 percent fourth quarter 2010 over fourth quarter 2009;
- Operating costs per barrel of oil equivalent ("**boe**") are one of the lowest in the sector at \$6.08 per boe in 2010 down from \$6.82 the previous year;
- Average annual production, operating and general administrative expenses were all within stated targets;
- General and administrative expense per boe are amongst the lowest in the oil and natural gas sector at \$0.95 per boe down from \$1.16 per boe the previous year;

Reserves⁽¹⁾⁽²⁾

- Progress grew its proved plus probable ("**P+P**") Montney reserves by 386 percent to approximately 600 billion cubic feet equivalent ("**bcfe**") in 2010;
- At year-end 2010, the Company had 156 net Montney horizontal wells booked in its reserve base;
- Progress had 22 gross producing Montney horizontal wells booked at year end 2010 with an average P+P booking of 4.4 bcf per well;
- P+P finding and development ("**F&D**") costs, excluding changes in future development capital ("**FDC**") and acquisitions, were \$4.67 per boe or \$0.78 per thousand cubic feet equivalent ("**mcfe**");
- P+P F&D costs were \$12.37 per boe including changes in FDC;
- P+P finding, development and acquisition ("**FD&A**") costs were \$12.49 per boe including changes in FDC;
- 2010 year-end P+P reserves grew by 63 percent to 253.4 mmboe;
- Total P+P reserve additions, excluding acquisitions, were 80.5 mmboe. P+P reserve additions through the drillbit replaced 539 percent of production;
- Total P+P reserve additions were 113.0 mmboe. P+P reserve additions from all sources replaced 758 percent of production.

Notes:

- (1) Reserves are quoted based on company interest. "Company interest" means, in relation to Progress' interest in production or reserves, its working interest (operating or non-operating) share before deduction of royalties, plus Progress' royalty interests in production or reserves. Company interest does not have a standardized meaning under National Instrument 51-101. Therefore, the company interest reserves of Progress may not be comparable to similar

measures presented by other issuers, and investors are cautioned that company interest reserves should not be construed as an alternative to gross or net reserves calculated in accordance with National Instrument 51-101.

- (2) "boe" means barrel of oil equivalent on the basis of 1 barrel of oil to 6 thousand cubic feet ("**mcf**") of natural gas and "mcf" means thousand cubic feet of natural gas equivalent on the basis of 6 mcf of natural gas per barrel of oil. Boe's and mcf's or other applicable units of equivalency may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf per barrel or an mcf conversion ratio of 1 barrel per mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
- (3) The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserves additions for that year.
- (4) For further information on our F&D costs, see our press release dated February 9, 2011.

DIRECTOR COMPENSATION

Compensation of Directors

Our Board, through the Corporate Governance and Nominating Committee, is responsible for the development and implementation of a compensation plan for our directors who are not also officers. We do not pay any compensation to officers for acting as a director.

The main objectives of our compensation plan for directors are to attract and retain the services of the most qualified individuals and to compensate the directors in a manner that is commensurate with the risks and responsibilities assumed in board and committee membership and at a level that is similar to the compensation paid to directors of a peer group of oil and gas companies (Advantage Oil & Gas Ltd., ARC Resources Ltd., Baytex Energy Corp., Bonavista Energy Corporation, Crew Energy Inc., Enerplus Corporation, NAL Energy Corporation, NuVista Energy Ltd., Perpetual Energy Inc., Pengrowth Energy Corporation, Peyto Exploration and Development Corp. and Vermillion Energy Inc.). In addition, our philosophy of using compensation to foster a culture of ownership also extends to our director compensation policies. We have developed an equity ownership policy that non-executive directors are required to beneficially own, control or direct shares with a value of not less than \$500,000. Directors are expected to reach this level within 5 years of becoming a director. If a director were to be at this level and go below, then any directors' fees paid will be applied to purchase shares (after withholdings) until the requirement is met. All directors are currently in compliance with this requirement.

We currently pay outside directors' annual retainers and meeting fees for their roles on our board and board committees and outside directors are also reimbursed for their out-of-pocket expenses incurred in carrying out their duties as directors. In 2010, we provided compensation to our directors by way of an annual retainer of \$40,000, with additional compensation added for attendance at board and committee meetings and for directors in their capacity as committee chairs. Board members, excluding the Chairman, received \$1,500 for each regular board and committee meeting attended. The Audit Committee chair received an annual retainer of \$20,000 with all other committee chairs receiving an annual retainer of \$7,500. Commencing March 2011 we provide compensation to our Chairman by way of an annual retainer of \$135,000 less Mr. Johnson's participation in Progress' health spending benefit plan up to \$10,000 annually.

Directors are required to submit his or her resignation upon their 70th birthday, which the board may choose to decline, and resubmit such resignation annually thereafter.

In addition we granted 8,340 Restricted Unit Awards to Messrs. Archibald, Brussa, Crone, McLachlan, Perron and Svarich during the year. The participation of each non-management director in the Share Unit Plan is limited to the lesser of (a) 1% of our issued and outstanding shares; and (b) an annual equity award value of \$100,000, with the value of each Unit Award calculated at the time of grant. See "*Report on Executive Compensation – Compensation Committee Report on Compensation – Share Unit Plan*".

The following table sets forth for the year ended December 31, 2010 information concerning the compensation paid to our directors.

Director ⁽¹⁾	Fees Earned (\$)	Share Based Awards ⁽³⁾ (\$)	Option Based Awards ⁽⁴⁾ (\$)	Non-equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total (\$)
Donald F. Archibald	75,000	99,997	Nil	Nil	Nil	174,997
John A. Brussa ⁽²⁾	55,000	99,997	Nil	Nil	Nil	154,997
Howard J. Crone	67,000	99,997	Nil	Nil	Nil	166,997
R. Scott Lawrence ⁽⁵⁾	14,500	Nil	Nil	Nil	Nil	14,500
Brian A. McLachlan	56,500	99,997	Nil	Nil	Nil	156,497
Gary E. Perron	68,500	99,997	Nil	Nil	Nil	168,497
Terrance D. Svarich	61,000	99,997	Nil	Nil	Nil	160,997
Total	397,500	599,982	Nil	Nil	Nil	997,482

Notes:

- (1) Messrs. David Johnson and Michael Culbert did not receive any compensation for acting as directors of Progress as they were officers of Progress in 2010.
- (2) Mr. Brussa is a partner at the law firm of Burnet, Duckworth & Palmer LLP, which receives fees for the provision of legal services to us.
- (3) Based on the fair value of the applicable award. The fair values of the Restricted Share Units are determined based on the closing price on the date of grant (\$11.99 per share). Directors are not eligible to receive Performance Unit Awards and are limited to an annual equity award value of \$100,000. See "Report on Executive Compensation – Compensation Committee Report on Executive Compensation – Share Unit Plan" and "Report on Executive Compensation – Compensation Committee Report on Executive Compensation - Performance Unit Incentive Plan".
- (4) Outside directors are not eligible to participate in the Stock Option Plan. See "Report on Executive Compensation – Compensation Committee Report on Executive Compensation – Stock Option Plan".
- (5) R. Scott Lawrence is Vice President, Head of Relationship Investments of CPPIB and his compensation is paid directly to CPPIB.

For 2010, outside directors were paid a total of \$397,500 in fees. The following table sets out each director's fee compensation in 2010:

Director ⁽¹⁾	Board Retainer (\$)	Committee Chairman Retainer (\$)	Board Attendance Fee (\$)	Committee Attendance Fee (\$)	Total Fees Paid (\$)
Donald F. Archibald	40,000	20,000	7,500	7,500	75,000
John A. Brussa	40,000	-	9,000	6,000	55,000
Howard J. Crone	40,000	7,500	9,000	10,500	67,000
R. Scott Lawrence ⁽²⁾	10,000	-	3,000	1,500	14,500
Brian A. McLachlan	40,000	-	9,000	7,500	56,500
Gary E. Perron	40,000	7,500	9,000	12,000	68,500
Terrance D. Svarich	40,000	7,500	9,000	4,500	61,000
Total	250,000	42,500	55,500	49,500	397,500

Notes:

- (1) Messrs. David Johnson and Michael Culbert do not receive any compensation for acting as directors of Progress as were officers of Progress in 2010.
- (2) Mr. Lawrence became a director on October 12, 2010. Mr. Lawrence is Vice President, Head of Relationship Investments of CPPIB and his compensation is paid directly to CPPIB.

Outstanding Share-Based Awards and Option-based Awards

The following table sets forth for each director all option-based awards and share-based awards outstanding at the end of the year ended December 31, 2010.

Name	Option-based Awards				Share-based Awards	
	Number of securities unexercised options ⁽¹⁾ (#)	Option exercise price ⁽¹⁾ (\$/share)	Option expiration date ⁽¹⁾	Value of unexercised in-the-money options ⁽¹⁾ (\$)	Number of shares or units of shares that have not vested ⁽²⁾ (#)	Market or payout value of share-based awards that have not vested ⁽²⁾ (\$)
Donald F. Archibald	Nil	Nil	Nil	Nil	23,840	366,111
John A. Brussa	Nil	Nil	Nil	Nil	23,840	366,111
Howard J. Crone	Nil	Nil	Nil	Nil	23,840	366,111
R. Scott Lawrence	Nil	Nil	Nil	Nil	Nil	Nil
Brian A. McLachlan	Nil	Nil	Nil	Nil	17,340	227,286
Gary E. Perron	Nil	Nil	Nil	Nil	23,840	366,111
Terrance D. Svarich	Nil	Nil	Nil	Nil	17,340	227,286
Total	Nil	Nil	Nil	Nil	130,040	1,919,016

Notes:

- (1) Outside directors are not eligible to participate in the Stock Option Plan.
- (2) Based on the fair value of the applicable awards. The fair value is determined based on the closing trading price of our shares on the Toronto Stock Exchange as at December 31, 2010 (\$12.70 per share), adjusted to reflect cash distributions and dividends made on the underlying Trust Units or shares for the period from the grant date to December 31, 2010 and based on the expected performance factor. The Performance Unit Incentive Plan was a full-value unit performance plan using the value of the shares as the basis for the performance units, subject to performance factors ranging from 0.0 to 2.0 times for directors. Share based awards in 2009 and 2010 were granted under the Share Unit Plan. Directors were granted Restricted Unit Awards in 2009 and 2010 as they are not eligible to receive Performance Unit Awards under the Share Unit Plan. See "Compensation Committee Report on Executive Compensation – Share Unit Plan and Performance Unit Incentive Plan".

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth for each director, the value of option-based awards and share-based awards which vested during the year ended December 31, 2010 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2010.

Name	Option-based awards – Value vested during the year ⁽¹⁾	Share-based awards – Value vested during the year ⁽²⁾	Non-equity incentive plan compensation – Value earned during the year
	(\$)	(\$)	(\$)
Donald F. Archibald	Nil	147,278	Nil
John A. Brussa	Nil	147,278	Nil
Howard J. Crone	Nil	147,278	Nil
R. Scott Lawrence	Nil	Nil	Nil
Brian A. McLachlan	Nil	Nil	Nil
Gary E. Perron	Nil	147,278	Nil
Terrance D. Svarich	Nil	Nil	Nil
Total	Nil	589,112	Nil

Notes:

- (1) Outside directors are not eligible to participate in the Stock Option Plan.
- (2) Based on the market price of the security on date of vesting (\$12.29 per share) adjusted to reflect cash distributions and dividends made on the underlying Trust Units or shares for the period from the grant date to vesting date and the performance factor.

Director Share Ownership

The following table sets out each director's equity ownership interest in Progress and any changes in ownership interest since March 24, 2010.

Name	Equity Ownership as at March 15, 2010 (#shares)	Equity Ownership as at April 1, 2011 (#shares)	Net Change in Equity Ownership (#shares)	Director's "Equity at Risk" Amount ⁽¹⁾ (\$)
David D. Johnson	3,350,354	3,396,200	45,846	43,131,740
Donald F. Archibald	2,034,457	2,039,207	4,750	25,897,929
John A. Brussa	197,526	222,276	24,750	2,822,905
Howard J. Crone	2,296,463	2,183,418	(113,045)	27,729,409
Michael R. Culbert	1,638,371	1,686,489	48,118	21,418,410
R. Scott Lawrence ⁽²⁾	-	-	-	-
Brian A. McLachlan	157,595	159,495	1,900	2,025,587
Gary E. Perron	4,299,091	4,308,841	9,750	54,722,281
Terrance D. Svarich	216,498	216,498	-	2,749,525
Total	14,190,355	14,212,424	22,069	180,497,786

Notes:

- (1) "Equity at Risk" amount is calculated using the closing price of the shares as at December 31, 2010 on the TSX (\$12.70 per share) times the equity ownership as at April 1, 2011.
- (2) R. Scott Lawrence is Vice President, Head of Relationship Investments of CPPIB which holds 34,083,488 common shares of Progress based on insider reports filed on SEDI as at April 1, 2011.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth for the year ended December 31, 2010 information concerning the compensation paid to our Chief Executive Officer ("CEO") and our Chief Financial Officer ("CFO") and our next three highest paid executives (collectively, our "Named Executive Officers").

Name and principal position	Year	Salary (\$)	Share-based awards ⁽¹⁾ (\$)	Option-based awards ⁽²⁾ (\$)	Non-equity incentive plan compensation (\$) ⁽¹⁾				Total compensation (\$)
					Annual incentive Plans ⁽³⁾ (\$)	Long-term incentive plans (\$)	Pension value (\$)	All other compensation ⁽⁴⁾ (\$)	
David D. Johnson Chairman and former Executive Chairman	2010	300,000	282,670	Nil	400,000	Nil	Nil	30,000	1,012,670
	2009	325,000	226,320	903,000	400,000	Nil	Nil	32,500	1,886,820
	2008	325,000	549,900	Nil	470,000	Nil	Nil	32,500	1,377,400
Michael R. Culbert President and CEO and Director	2010	340,000	282,670	Nil	450,000	Nil	Nil	34,000	1,106,670
	2009	323,000	226,320	1,505,000	400,000	Nil	Nil	32,300	2,486,620

Name and principal position	Year	Non-equity incentive plan compensation (\$) ⁽¹⁾							Total compensation (\$)
		Salary (\$)	Share-based awards ⁽¹⁾ (\$)	Option-based awards ⁽²⁾ (\$)	Annual incentive Plans ⁽³⁾ (\$)	Long-term incentive plans (\$)	Pension value (\$)	All other compensation ⁽⁴⁾ (\$)	
Daniel C. Topolinsky Executive VP Exploration and Development	2010	275,000	110,610	Nil	250,000	Nil	Nil	27,500	663,110
	2009	240,000	88,560	903,000	250,000	Nil	Nil	24,000	1,505,560
James L. Stannard VP Engineering	2010	225,000	92,175	Nil	225,000	Nil	Nil	22,500	564,675
	2009	201,000	73,800	677,250	150,000	Nil	Nil	20,100	1,122,150
Art A. MacNichol VP Finance and CFO	2010	250,000	110,610	Nil	225,000	Nil	Nil	25,000	610,610
	2009	233,000	88,560	903,000	200,000	Nil	Nil	23,300	1,447,860

Notes:

- (1) Based on the grant date fair value of the applicable awards. The fair value is determined based on the closing trading price of our shares on the Toronto Stock Exchange on the date of grant. The Share Unit Plan and Performance Unit Incentive Plan are full-value unit performance plans using the value of the shares of Progress as the basis for the performance units, subject to performance factors ranging from 0.0 to 3.0 times the performance units granted to the NEO. See "*Compensation Committee Report on Compensation – Share Unit Plan and Performance Unit Incentive Plan of the Trust*".
- (2) Based on the grant date fair value of the applicable awards. The fair values of the Progress' stock options granted were estimated on the date of grant using Black-Scholes option pricing model.
- (3) Annual incentive plan comprises of an annual bonus based on individual and corporate performance during the year and paid subsequent to the release of year end results.
- (4) Includes contributions to the savings plan.

Executive Ownership Requirements

Our executive share ownership requirements are designed to align the interests of our executives with shareholders. The Chief Executive Officer is required to hold shares with a value of not less than three times his annual base salary and all other executives are required to hold shares with a value of not less than one and one half times their annual base salary. Executives are expected to reach this level within 5 years of becoming an executive. All of the Named Executive Officers are in compliance with this requirement as at December 31, 2010.

Outstanding Share-Based Awards and Option-based Awards

The following table sets forth for each Named Executive Officer all option-based awards and share-based awards outstanding at the end of the year ended December 31, 2010.

Name	Option-based Awards			Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$/Share)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)	Number of shares or units of shares that have not vested ⁽²⁾ (#)	Market or payout value of share-based awards that have not vested ⁽²⁾ (\$)
David D. Johnson	250,000	13.69	July 27, 2012	390,000	77,688	1,279,372
	300,000	11.40	Jan 21, 2014			
Michael R. Culbert	130,000	13.69	July 27, 2012	650,000	77,688	1,279,372
	500,000	11.40	Jan 21, 2014			
Daniel C. Topolinsky	130,000	13.69	July 27, 2012	390,000	39,125	686,981
	300,000	11.40	Jan 21, 2014			
James L. Stannard	40,000	15.78	Mar 12, 2013	292,500	31,656	552,239
	225,000	11.40	Jan 21, 2014			
Art A. MacNichol	100,000	13.69	July 27, 2012	390,000	38,313	669,628
	300,000	11.40	Jan 21, 2014			

Notes:

- (1) Calculated based on the difference between the market price of the securities underlying the options as at December 31, 2010 (\$12.70 per share) and the exercise price of the vested and unvested.
- (2) Based on the fair value of the applicable awards. The fair value is determined based on the closing trading price of our shares on the Toronto Stock Exchange as at December 31, 2010 (\$12.70 per share), adjusted to reflect cash distributions and dividends made on the underlying Trust Units or shares for the period from the grant date to December 31, 2010 and based on the expected performance factor. The Performance Unit Incentive Plan and the Share Unit Plan are full-value unit performance plans using the value of the common shares as the basis for the performance units, subject to performance factors ranging from 0.0 to 3.0 times. See "Compensation Committee Report on Compensation – Share Unit Plan and Performance Unit Incentive Plan of the Trust".

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth for each Named Executive Officer, the value of option-based awards and share-based awards which vested during the year ended December 31, 2010 and the value of non-equity incentive plan compensation earned during the year ended December 31, 2010.

Name	Option-based awards – Value vested during the year ⁽¹⁾ (\$)	Share-based awards – Value vested during the year ⁽²⁾ (\$)	Non-equity incentive plan compensation – Value earned during the year ⁽³⁾ (\$)
David D. Johnson	Nil	717,978	400,000
Michael R. Culbert	Nil	717,978	450,000
Daniel C. Topolinsky	Nil	460,242	250,000
James L. Stannard	Nil	244,769	225,000
Art A. MacNichol	Nil	460,242	225,000

Notes:

- (1) Calculated based on the difference between the market price of the securities underlying the options at the vesting date.
- (2) Calculated based on the trading price of our shares on the Toronto Stock Exchange on the date of vesting. The Share Unit Plan and the Performance Unit Incentive Plan are full-value unit performance plan using the value of Progress shares as the basis for the performance units, subject to performance factors ranging from 0.0 to 3.0 times the performance units granted. See "Report on Executive Compensation – Compensation Committee Report on Compensation – Share Unit Plan" and "Report on Executive Compensation – Compensation Committee Report on Compensation – Performance Unit Incentive Plan of the Trust".
- (3) 2010 Bonus paid in 2011.

Securities Authorized for Issuance Under Equity Compensation Plans

The following sets forth information in respect of securities authorized for issuance under our equity compensation plans as at December 31, 2010.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by securityholders under the Stock Option Plan	4,748,000	\$11.42	5,252,000
Equity compensation plans approved by securityholders under the ProEx Stock Option Plan	1,203,867	\$13.97	Nil
Equity compensation plans approved by securityholders under the Share Unit Plan ⁽¹⁾	702,974	N/A	997,026
Equity compensation plans approved by securityholders under the Performance Unit Incentive Plan of the Trust ⁽¹⁾	394,345	N/A	Nil
Equity compensation plans not approved by securityholders	Nil	Nil	Nil
Total	7,049,186		6,249,026

Note:

- (1) The Share Unit Plan and Performance Unit Incentive Plan are a full-value unit performance plan using the value of Progress shares as the basis for the performance units, subject to performance factors ranging from 0.0 to 3.0 times the performance units granted. See "*Report on Executive Compensation – Compensation Committee Report on Compensation – Share Unit Plan*" and "*Report on Executive Compensation – Compensation Committee Report on Compensation – Performance Unit Incentive Plan of the Trust*".

Termination and Change of Control Benefits

The current Named Executive Officers have employment agreements with Progress to compensate them in the event of the termination of employment due to termination for any reason that does not constitute just cause, a change of control, a change in responsibilities or death during the term of the agreement. In the case of termination for reasons other than just cause the Named Executive Officers would be entitled to a payment equal to 1.0 times his or her current base salary and the average of the last two bonuses received and all unvested performance shares and performance unit awards would become fully vested. In the case of a change of control the Named Executive Officers would be entitled to a payment equal to 1.5 times his or her current base salary and the average of the last two bonuses received and all unvested performance shares would become fully vested. There are no significant conditions or obligations that apply to the Named Executive Officers receiving payments or benefits due to a change of control.

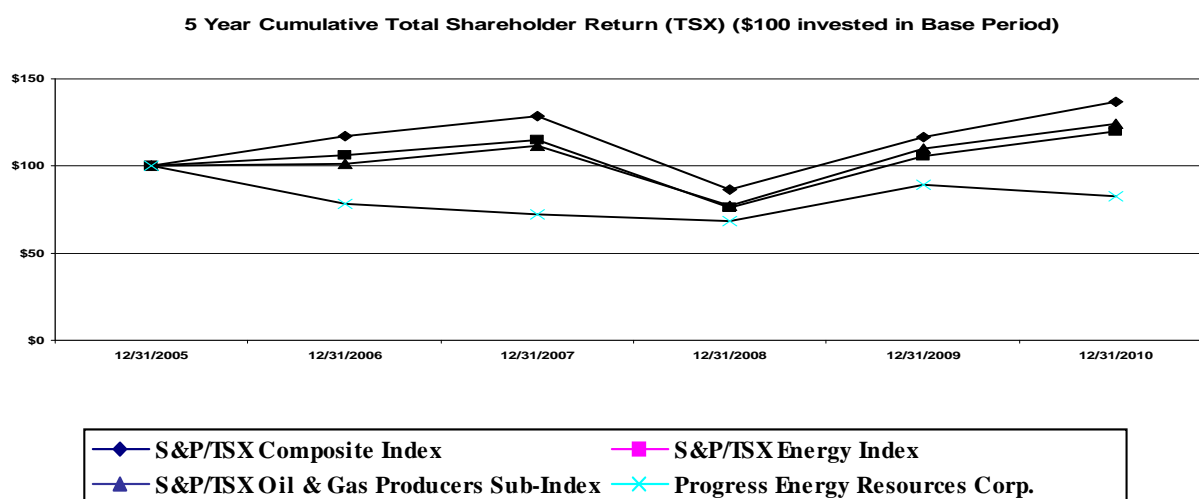
A change of control is defined as: (a) a successful "take-over bid" (as defined in the *Securities Act* (Alberta), as amended, or any successor legislation thereto) pursuant to which the offeror beneficially owns in excess of 50% of the issued and outstanding common shares; (b) the issuance to or acquisition by any person, or group of persons acting in concert, directly or indirectly, including through an arrangement or other form of reorganization, of common shares which in the aggregate total 50% or more of the then issued and outstanding common shares; (c) an arrangement, merger or other form of reorganization of the Company where the holders of the outstanding voting securities or interests of the Company immediately prior to the completion of the reorganization will hold 50% or less of the outstanding voting securities or interests of the continuing entity upon completion of the arrangement,

merger or reorganization; (d) the sale of all or substantially all of the assets of the Company; or (e) the liquidation, winding-up or dissolution of the Company, provided that notwithstanding the application of any of the foregoing, a change of control shall be deemed to not have occurred: (f) if a majority of the board of directors determines that in substance the arrangement or reorganization has occurred or the circumstances are such that a change of control should be deemed to not have occurred and any such determination shall be binding and conclusive for all purposes of the applicable agreement.

Based on each of the Named Executive Officers 2010 base salary and 2010 and 2009 bonus, if a change of control occurred on December 31, 2010, the Named Executive Officers would have been entitled to an aggregate payment from Progress of \$8.1 million under their employment agreements, comprising of \$2.2 million to Mr. Johnson, \$2.2 million to Mr. Culbert, \$1.3 million to Mr. Topolinsky, \$1.1 million to Mr. Stannard and \$1.3 million to Mr. MacNichol. The employment agreements rely on the terms and conditions of the unit based compensation plans and option plans as they relate to termination provisions for all employees, including the Named Executive Officers.

Performance Graph

The following graph illustrates our five year cumulative shareholder return, as measured by the closing price of our common shares at the end of each financial year, assuming an initial investment of \$100 on December 31, 2005, compared to the S&P/TSX Composite Index, S&P/TSX Energy Index and the S&P/TSX Oil & Gas Producers Sub-Index, assuming the reinvestment of dividends where applicable.



	2005/12	2006/12	2007/12	2008/12	2009/12	2010/12
Progress Energy Resources Corp.	100	78	72	68	89	83
S&P/TSX Composite Index ⁽¹⁾	100	117	129	86	117	137
S&P/TSX Energy Index ⁽¹⁾	100	106	115	76	106	120
S&P/TSX Oil & Gas Producers Sub-Index ⁽¹⁾	100	101	112	77	110	124

Note:

- (1) Assumes that the initial value of the investment in our common shares, in the S&P/TSX Composite Index, S&P/TSX Energy Index and S&P/TSX Oil & Gas Producers Sub-Index was \$100 on December 31, 2005 and that all subsequent dividends and distributions were reinvested.

The performance of Progress Energy Resources Corp.'s common shares in 2010 was negatively impacted by continuing weak natural gas prices. Broader economic conditions improved from the severe downturn experienced in 2008 and 2009 and provided underlying support to many of the world's commodities including oil, which rebounded from below US\$34.00 per barrel in early 2009 to over US\$90.00 per barrel in late 2010. Natural gas prices largely disconnected from oil prices since natural gas cannot be shipped off shore from North America to world markets served by liquefied natural gas. High levels of natural gas directed drilling activity throughout North America and high levels of natural gas in storage combined to hold natural gas prices below US\$5.00 per million BTU through a large part of 2010 and in general caused underperformance by natural gas weighted stocks in the markets as compared to oil weighted peers.

Major Canadian indices performed relatively well as recovering economic conditions in Canada and an improved global economic outlook brought investors back into the equity markets. Energy indices moved higher in 2010 as a result of the higher weighting to Canadian energy companies with a higher proportion of oil within their production portfolio.

Progress continues to focus on building underlying value for shareholders through growth in reserves, production and cash flow on a per share basis with a strong focus on increasing efficiencies and lowering costs. These same measures are employed when the Compensation Committee of the Board of Directors evaluates management's performance as compared to a group of Canadian exploration and production companies.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The following is a description of our corporate governance practice, relative to the information required by National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

Board of Directors

Seven out of the nine members of our board of directors are independent, being Messrs. Donald Archibald, John Brussa, Howard Crone, R. Scott Lawrence, Gary Perron, Brian McLachlan and Terrance Svarich. Mr. David Johnson is not considered independent as he was an executive of Progress from July 2004 to February 2011. Michael Culbert is not considered independent as he holds the position of President and Chief Executive Officer.

With respect to Mr. Brussa it was noted that the law firm of which he is a partner provides legal services to us however, our Corporate Governance and Nominating Committee determined that he was independent of us after considering such matters as the magnitude of his personal holdings of shares, the annual billings of his law firm to us and his involvement with other issuers.

The Chairman is not considered independent and we currently have not appointed a lead director. The President and Chief Executive officer responsibilities are independent from the Chairman's responsibilities and the regular independent director meetings, at the end of each board meeting, are sufficient.

Our independent board members and Messrs. Johnson and Culbert hold regularly scheduled meetings, generally immediately following regularly scheduled board meetings. In addition we now extend those meetings with Mr. Johnson and Culbert exiting for the balance of the meeting. We have had six such meetings in 2010.

To provide leadership for the independent board members the non-management directors regularly meet without management or Mr. Johnson in attendance.

The following directors are presently directors of other reporting issuers (or the equivalent) as at April 1, 2011:

<u>Director</u>	<u>Names of Other Issuers</u>
David D. Johnson	Pinecrest Energy Inc. and Secure Energy Services Inc.
Donald F. Archibald	Cequence Energy Ltd., Chinook Energy Inc., Ember Resources Inc., Spartan Exploration Ltd. and Waldron Energy Corporation.

Director	Names of Other Issuers
John A. Brussa	Baytex Energy Corp., Calmena Energy Services Inc., Chinook Energy Inc., Cirrus Energy Corporation, Crew Energy Inc., Deans Knight Income Corporation, Enseco Energy Services Corp., Galleon Energy Inc., Just Energy Group Inc. , Midway Energy Ltd., North American Energy Partners Inc., Orleans Energy Ltd., Penn West Petroleum Ltd., Pinecrest Energy Inc., Storm Resources Ltd., Twin Butte Energy Ltd., WestFire Energy Ltd. and Yoho Resources Inc.
Howard J. Crone	Cequence Energy Ltd.
Michael R. Culbert	Seaview Energy Inc.
Brian A. McLachlan	Yoho Resources Inc.
Gary E. Perron	Yoho Resources Inc.
Terrance D. Svarich	Yoho Resources Inc.

Interlocking Directorships

The following table lists our directors who served together on the board of directors of other corporations as at April 1, 2011:

Corporation	Directors of the Corporation
Chinook Energy Inc.	Donald F. Archibald and John A. Brussa
Cequence Energy Ltd.	Donald F. Archibald and Howard J. Crone
Pinecrest Energy Inc.	David D. Johnson and John A. Brussa
Yoho Resources Inc.	John A. Brussa, Garry E. Perron, Brian A. McLachlan and Terrance D. Svarich

Meeting Attendance

Following is a summary of attendance of our directors at meetings of our board and its committees from January 1, 2010 to April 1, 2011:

Name	Board Meetings Attended	Committee Meetings Attended	Board Meetings Attended (%)	Committee Meetings Attended (%)
David D. Johnson ⁽¹⁾⁽²⁾	10 of 10	-	100	-
Donald F. Archibald	9 of 10	7 of 8	90	88
John A. Brussa	10 of 10	6 of 6	100	100
Howard J. Crone	10 of 10	9 of 9	100	100
Michael R. Culbert ⁽¹⁾⁽²⁾	10 of 10	-	100	-
R. Scott Lawrence	6 of 6	2 of 2	100	100
Brian A, McLachlan	9 of 10	7 of 7	90	100
Gary E. Perron	10 of 10	10 of 10	100	100
Terrance D. Svarich	10 of 10	5 of 5	100	100

Notes:

(1) Attends committee meetings as a non-voting director.

(2) Is not a committee member, but attends committee meetings, in full or in part, as appropriate, as a management invitee.

Board Mandate

Our board mandate is attached to this as Appendix A.

Position Descriptions

Our board has developed written position descriptions for the Chairman of the board as well as the Chairman of each of the committees of the board. In addition, our board, with the input of the Chief Executive Officer, has developed a written position description for the Chief Executive Officer. The position descriptions for the Chairman of the Board and the Chief Executive Officer are attached hereto as Appendix B.

Orientation and Continuing Education

Upon joining our board, a new director will be provided with a directors' information binder which will include a copy of all board and committee mandates, corporate policies, relevant position descriptions, organizational structure, the structure of the board and its committees, by-laws, as well as agendas and minutes for board and committee meetings for the preceding 12 months. In addition, any new director will receive presentations with respect to our operations. As part of continuing education, the board receives management presentations with respect to the operations and risks of our business at least four times per year, with a more significant presentation provided in conjunction with the annual budgeting process. In addition, the individual directors identify their continuing education needs through a variety of means, including discussions with management and at board and committee meetings.

Ethical Business Conduct

Our board has adopted a Code of Business Conduct and Ethics (the "**Code**"), a copy of which is available to review at www.sedar.com and on our web site at www.progressenergy.com. It is intended that annually each employee, officer and director of Progress confirms in that he or she has read, understood and complied with the Code.

The Code provides that employees, officers, directors and consultants must, among other things: (i) avoid situations that may result in a conflict or perceived conflict between personal interests of employees, officers, directors and consultants and the interest of Progress; (ii) provide full disclosure of any actual or potential conflict of interest; and (iii) at all times comply fully with applicable law and avoid any situation which could be perceived as improper or unethical.

Compliance with the Code is monitored by the Corporate Governance and Nominating Committee. To the knowledge of the board, there have been no departures from the Code during the year ended December 31, 2010 that would require the filing of a material change report.

The board has reviewed and approved a policy on disclosure, confidentiality and trading for Progress, in order to promote consistent disclosure practices aimed at informative, timely and broadly disseminated disclosure of material information to the market in accordance with applicable securities legislation. The board has also adopted a whistleblower policy which provides employees with the ability to report, on a confidential and anonymous basis, any violations within our organization including (but not limited to), falsification of financial records, unethical conduct, harassment or theft. The board believes that providing a forum for employees, officers and directors to raise concerns about ethical conduct and treating all complaints with the appropriate level of seriousness foster a culture of ethical conduct within Progress.

Nomination of Directors and Assessments

The Corporate Governance and Nominating Committee is responsible for recommending nominees for election or appointment as directors, and recommending the criteria governing the overall composition of the board and governing the desirable individual characteristics for directors. The Corporate Governance and Nominating Committee is made up entirely of independent directors.

The Corporate Governance and Nominating Committee is additionally responsible for at least annually, assessing the effectiveness of the board as a whole, the composition of the board and its committees and the contribution of individual directors, including considering the appropriate size of the board. In 2010, the Corporate Governance and Nominating Committee distributed questionnaires to all directors in order to assess the directors' views as to the

board's, the committee's and peer effectiveness. Results were reviewed by the chair of the Corporate Governance and Nominating Committee and the Corporate Secretary. The committee chair then had private meetings with each director to provide individual feedback.

Board Committees

The board has four committees; the Audit Committee, Compensation Committee, Corporate Governance and Nominating Committee and the Reserve Committee, all members of whom are independent directors. The committees meet without management at every meeting and any director can request additional time for this purpose. The board has accepted overall responsibility for health, safety and environment and no separate committee has been established to deal with this issue.

Audit Committee

The members of the Audit Committee are: Mr. Donald F. Archibald (Chairman), Mr. Howard J. Crone, Mr. R. Scott Lawrence and Mr. Gary E. Perron. The Audit Committee's mandate includes:

- reviewing the annual audited consolidated financial statements and the auditors' report thereon prior to submission to the board for approval;
- reviewing the quarterly consolidated financial statements prior to submission to the board for approval;
- reviewing the scope of external audits;
- reviewing and discussing accounting and reporting policies and changes in accounting principles;
- reviewing our internal control systems and procedures; and
- meeting with the external auditors independently of our Management.

Compensation Committee

The members of the Compensation Committee are: Mr. Gary E. Perron (Chairman), Mr. John A. Brussa and Mr. Brian A. McLachlan all of whom are independent. None of the members of the Committee is an officer, employee or former officer of Progress or any of its affiliates or is eligible to participate in the executive compensation programs, and only one member, Brian A. McLachlan, is currently a chief executive officer. The Compensation Committee's mandate includes:

- determining compensation and terms of employment for executives, including the granting of options and awards under our incentive programs;
- approving our benefit plans; and
- assessing, at least annually, the compensation and terms of employment of the Chief Executive Officer.

No more than one-third of the members of the Committee shall be active chief executive officers with any publicly-traded corporation, partnership, trust or other entity.

For further information on the process by which the board determines compensation for Progress' directors and officers and consultants or advisors hired by Progress to assist with this process see "*Report on Executive Compensation*".

Corporate Governance and Nominating Committee

The members of the Corporate Governance and Nominating Committee are: Mr. Terrance D. Svarich (Chairman), Mr. Donald F. Archibald and Mr. John A. Brussa. The Corporate Governance and Nominating Committee's mandate includes:

- annually reviewing the mandates of the board and its committees and recommend to the board such amendments to those mandates as the committee believes are necessary or desirable;

- preparing and recommending to the board annually a statement of corporate governance practices to be included in the Corporation's annual report or information circular as required by Form 58-101F1 and any other regulatory obligation;
- to make recommendations to the board as to which directors should be classified as "independent" directors pursuant to any such report or circular;
- reviewing on a periodic basis the composition of the board and ensuring that an appropriate number of independent directors sit on the board, analyzing the needs of the board and recommending nominees who meet such needs;
- assessing, at least annually, the effectiveness of the board as a whole, the committees of the board and the contribution of individual directors, including considering the appropriate size of the board;
- recommending suitable candidates for nominees for election or appointment as directors, and recommending the criteria governing the overall composition of the board and governing the desirable individual characteristics for directors;
- as required, develop, for approval by the board, an orientation and education program for new recruits to the board;
- acting as a forum for concerns of individual directors in respect of matters that are not readily or easily discussed in a full board meeting, including the performance of management or individual members of management or the performance of the board or individual members of the board;
- developing and recommending to the board for approval and periodically review structures and procedures designed to ensure that the board can function effectively and independently of management;
- making recommendations to the board of directors regarding appointments of corporate officers and senior management;
- establishing, reviewing and updating periodically the Code and ensure that management has established a system to monitor compliance with this Code; and
- review management's monitoring of the Corporation's compliance with the Code.

Reserve Committee

The members of the Reserve Committee are: Mr. Howard J. Crone (Chairman), Mr. Brian A. McLachlan and Mr. Terrance D. Svarich. The Reserve Committee's mandate includes:

- reviewing management's recommendations for the appointment of the independent engineer;
- reviewing the terms of the independent engineers' engagement and the appropriateness and reasonableness of the proposed fees;
- reviewing the scope and methodology of the independent engineers' evaluation;
- reviewing any significant new discoveries, additions, revisions and acquisitions;
- reviewing assumptions and consistency with prior years;
- reviewing any problems experienced by the independent engineer in preparing the reserve report, including any restrictions imposed by management or significant issues on which there was a disagreement with management.

INTEREST OF CERTAIN PERSONS AND COMPANIES IN MATTERS TO BE ACTED UPON

Our management is not aware of any material interest direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or executive officer of Progress or anyone who has held office as such since the beginning of our last financial year any proposed director of Progress or of any associate or affiliate of any of the foregoing in any matter to be acted on at the meeting, except as disclosed herein.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of any Informed Person (as defined in *National Instrument 51-102 – Continuous Disclosure Obligations*) of Progress or any proposed director of Progress or any associate or affiliate of such persons, in any transaction since the commencement of our last completed financial year or in any proposed transaction which has materially affected or would materially affect us or any of our subsidiaries except as disclosed herein.

OTHER MATTERS

Our management knows of no amendment, variation or other matter to come before the meeting other than the matters referred to in the notice of annual and special meeting. However, if any other matter properly comes before the Meeting, the accompanying proxy will be voted on such matter in accordance with the best judgment of the person voting the proxy.

ADDITIONAL INFORMATION

Additional information relating to us is available on SEDAR at www.sedar.com. Financial information is provided in our comparative financial statements and management's discussion and analysis for the year ended December 31, 2010. To receive a copy of our financial statements and related management's discussion and analysis please contact our Vice President, Finance and Chief Financial Officer at Progress Energy Resources Corp., 1200, 205 – 5th Avenue S.W., Calgary, Alberta, T2P 2V7. If you wish, this information may also be accessed on our website (www.progressenergy.com) or on SEDAR at www.sedar.com.

APPENDIX A
PROGRESS ENERGY RESOURCES CORP.
MANDATE OF THE BOARD OF DIRECTORS
OF PROGRESS ENERGY RESOURCES CORP.

GENERAL

The board of Directors (the "**Board**") of Progress Energy Resources Corp. (the "**Corporation**" or "**Progress**") is responsible for the stewardship of Progress. In discharging its responsibility, the Board will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and will act honestly and in good faith with a view to the best interests of Progress. In general terms, the Board will:

- in consultation with the chief executive officer of Progress (the "**CEO**"), define the principal objectives of Progress;
- supervise the management of the business and affairs of Progress with the goal of achieving Progress' principal objectives as defined by the Board;
- discharge the duties imposed on the Board by applicable laws; and
- for the purpose of carrying out the foregoing responsibilities, take all such actions as the Board deems necessary or appropriate.

SPECIFIC

Executive Team Responsibility

- Appoint the CEO and senior officers, approve their compensation, and monitor the CEO's performance against a set of mutually agreed corporate objectives directed at maximizing shareholder value;
- In conjunction with the CEO, develop a clear mandate for the CEO, which includes a delineation of management's responsibilities;
- Ensure that a process is established that adequately provides for succession planning, including the appointing, training and monitoring of senior management; and
- Establish limits of authority delegated to management.

Operational Effectiveness and Financial Reporting

- Annual review and adoption of a strategic planning process and approval of the corporate strategic plan, which takes into account, among other things, the opportunities and risks of the business;
- Ensure that a system is in place to identify the principal risks to Progress and that the best practical procedures are in place to monitor and mitigate the risks;
- Ensure that processes are in place to address applicable regulatory, corporate, securities and other compliance matters;
- Ensure that an adequate system of internal control exists;
- Ensure that due diligence processes and appropriate controls are in place with respect to applicable certification requirements regarding Progress' financial and other disclosure;
- Review and approve Progress' financial statements and oversee Progress' compliance with applicable audit, accounting and reporting requirements;
- Approve annual operating and capital budgets;
- Review and consider for approval all amendments or departures proposed by management from established strategy, capital and operating budgets or matters of policy which diverge from the ordinary course of business; and
- Review operating and financial performance results relative to established strategy, budgets and objectives.

Integrity/Corporate Conduct

- Establish a communications policy or policies to ensure that a system for corporate communications to all stakeholders exists, including processes for consistent, transparent, regular and timely public disclosure, and to facilitate feedback from stakeholders;
- Approve a Code of Business Conduct and Ethics ("**Code**") for directors, officers, employees, contractors and consultants and monitor compliance with the Code and approve any waivers of the Code for officers and directors; and
- To the extent feasible, satisfy itself as to the integrity of the CEO and other executive officers of Progress and that the CEO and other executive officers create a culture of integrity throughout Progress.

Board Process/Effectiveness

- Ensure that Board materials are distributed to directors in advance of regularly scheduled meetings to allow for sufficient review of the materials prior to the meeting. Directors are expected to attend all meetings;
- Engage in the process of determining Board member qualifications with the Corporate Governance and Nominating Committee including ensuring that a majority of directors qualify as independent directors pursuant to National Instrument 58-101 Disclosure of Corporate Governance Practices (as implemented by the Canadian Securities Administrators and as amended from time to time) and that the appropriate number of independent directors are on each committee of the Board as required under applicable securities rules and requirements;
- Approve the Nominating of directors;
- Provide a comprehensive orientation to each new director;
- Establish an appropriate system of corporate governance including practices to ensure the Board functions independently of management;
- Establish appropriate practices for the regular evaluation of the effectiveness of the Board, its committees and its members;
- Establish committees and approve their respective mandates and the limits of authority delegated to each committee;
- Review and re-assess the adequacy of the mandate of the committees of the Board on a regular basis, but not less frequently than on an annual basis;
- Review the adequacy and form of the directors' compensation to ensure it realistically reflects the responsibilities and risks involved in being a director;
- Each member of the Board is expected to understand the nature and operations of Progress' business, and have an awareness of the political, economic and social trends prevailing in all regions in which Progress invests, or is contemplating potential investment;
- Independent directors shall meet regularly, and in no case less frequently than quarterly, without non-independent directors and management participation; and
- In addition to the above, adherence to all other Board responsibilities as set forth in Progress' by-laws, applicable policies and practices and other statutory and regulatory obligations, such as issuance of securities, etc., is expected.

DELEGATION

- The Board may delegate its duties to, and receive reports and recommendations from, any committee of the Board.

APPENDIX B
PROGRESS ENERGY RESOURCES CORP.
MANDATE OF THE CHAIRMAN OF THE BOARD
AND CHIEF EXECUTIVE OFFICER OF PROGRESS ENERGY RESOURCES CORP.

Chairman of the Board

Managing the Board

- Chairing meetings of the Board;
- Setting meeting schedules;
- Setting meeting agendas with input from CEO and other directors;
- Communicating with directors between meetings;
- Monitoring meeting attendance;
- Determining Board information packages with management;
- Helping appoint committees;
- Attending committee meetings where appropriate; and
- Helping to determine director compensation.

Developing a More Effective Board

- Ensuring Board contribution;
- Planning Board composition and its succession;
- Ensuring the recruitment of new directors and the "retirement" of those who are ineffective;
- Engaging the Board effectively in the affairs of the corporation; and
- From time to time assessing Board effectiveness.

Working with Management

- Monitoring and influencing strategic management;
- Building relationships;
- Helping define problems;
- Representing shareholders and Board to the management;
- Representing management to the Board and shareholders; and
- Maintaining accountability by management.

Managing Shareholder Relations

- Chairing annual and special meetings of shareholders;
- As requested by the CEO, meeting with major shareholder groups;
- As requested by the CEO, meeting with financial press;
- As requested by the CEO, meeting with potential sources of debt and equity capital; and
- Communicating with shareholders and potential shareholders.

Chief Executive Officer

Introduction

The CEO is the senior management officer of the Corporation.

Duties and Responsibilities

The CEO reports to the Board of Directors and has the responsibility to:

- Lead and manage the Corporation within the parameters established by the Board;
- Develop and recommend the strategic plan to the Board and successfully implement the corresponding annual operating plans, capital plans and other supporting initiatives;
- Direct and monitor the activities of the Corporation in a manner that ensures that the assets of the Corporation are safeguarded and optimized in the best interests of the shareholders;
- Develop and implement operational policies to guide the Corporation within the limits prescribed by the Corporations' by-laws and the framework of the strategic plan adopted by the Board;
- Ensure the integrity of the Corporation's internal control and management systems;
- Identify the principal risks of the business and ensure the implementation of systems to manage these risks;
- Ensure that the Corporation achieves and maintains a satisfactory competitive position within its industry and a high standard for its products and procedures;
- Ensure compliance with the Corporation's environment, health and safety policies and procedures;
- Develop and recommend to the Board the overall corporate organizational structure;
- Review the appointment of senior management with the Board;
- Establish and maintain an annual Board approved plan for the development and succession of senior management;
- Develop and implement, with the approval of the Compensation Committee of the Board, the Corporation's employee compensation package;
- Develop, manage and oversee a communication plan for the shareholders of the Corporation and act as the principal spokesperson for the Corporation;
- Meet regularly and as required with the Chairman and other directors to review material issues and to ensure that the Chairman and other directors are provided with relevant and timely information;
- Ensure that the Chairman and other directors have the access to management necessary to permit fulfillment of the Board's obligations;
- Foster a corporate culture that promotes ethical practices and encourages individual integrity and social responsibility; and
- Seek Board approval for expenditures or transactions falling outside the guidelines approved by the Board.