

Progress

Q3

## Progress Announces Third Quarter Results

### Montney Resource Assessed at 1.7 Trillion Cubic Feet at Town Property

Historical results are that of Progress Energy Trust	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
<b>FINANCIAL HIGHLIGHTS</b>				
<b>Income Statement</b> (\$ thousands, except per share amounts)				
Petroleum and natural gas revenue	64,421	143,026	244,111	415,800
Cash flow <sup>1</sup>	20,596	72,144	119,318	218,214
Per share – diluted	0.12	0.73	0.75	2.36
Cash dividends declared <sup>2</sup>	16,513	-	51,258	-
Per share	0.10	-	0.30	-
Cash distributions declared	-	32,965	-	91,878
Per unit	-	0.30	-	0.90
<b>Balance Sheet</b> (\$ thousands)				
Working capital deficiency	9,041	4,985	9,041	4,985
Bank debt	440,518	279,918	440,518	279,918
Convertible debentures	126,656	124,057	126,656	124,057
Total debt	576,215	408,960	576,215	408,960
Capital expenditures	32,042	54,223	142,059	109,199
Plan of Arrangement <sup>3</sup>	457	-	663,544	-
<b>OPERATIONAL HIGHLIGHTS</b>				
<b>Average Daily Production</b>				
Natural gas (mcf/d)	157,522	126,265	168,772	124,972
Crude oil (bbls/d)	1,874	2,027	2,050	2,063
Natural gas liquids (bbls/d)	1,995	1,712	2,180	1,810
Total daily production (boe/d)	30,122	24,783	32,358	24,702
<b>Average Realized Prices</b>				
Natural gas (\$/mcf)	3.10	9.12	4.11	9.07
Crude oil (\$/bbl)	69.66	114.06	56.28	106.71
Natural gas liquids (\$/bbl)	41.46	88.34	39.20	81.70
<b>Wells Drilled, Net</b>	10.1	12.5	35.6	27.6

(1) Represents cash flow from operating activities before changes in non-cash working capital.

(2) Includes \$1.7 million of accumulated distributions and dividends paid on performance units that vested during the nine months ended September 30, 2009.

(3) Reverse Takeover of ProEx Energy Ltd. on January 15, 2009.

Progress Energy Resources Corp. ("Progress" or the "Corporation") announces results for the third quarter of 2009 (the "Quarter"). Production averaged 30,122 barrels of oil equivalent ("boe") per day after accounting for approximately 5,000 boe per day of shut-in natural gas production for the month of September. Capital investment in the Quarter was \$32.4 million and was primarily directed towards the Corporation's Montney acreage position in the Foothills of northeast British Columbia and the multiple-stacked horizons in the Deep Basin of northwest Alberta.

"In the current constrained capital environment, our 2009 investment has been primarily directed at advancing the Montney play to a commercial stage and maintaining a steady pace of drilling activity within the Deep Basin," said Mr. Michael Culbert, President and CEO of Progress.

### Highlights

- Drilled two Montney horizontal wells and one vertical well in the Town area in the Quarter. The first horizontal was fracture stimulated over 8 intervals and had a stabilized rate of 10 million cubic feet ("mmcf") per day. The second horizontal was fracture stimulated over 5 intervals and had a stabilized rate of 2 mmcf per day. A step-out vertical well was drilled and completed with a post frac, stabilized rate of 1.3 mmcf per day;
- Progress recently engaged GLJ Petroleum Consultants Ltd. ("GLJ") to prepare an independent evaluation of the Discovered Petroleum Initially-In-Place ("DPIIP") surrounding its recent Montney drilling activity in the Town area. Effective October 27, 2009, GLJ has concluded that the best estimate of DPIIP for the Town property is 1.7 trillion cubic feet ("TCF"), net working interest to Progress, over an area of 40 sections (38.3 net). This represents less than five percent of Progress' Foothills Montney land position;
- Completed five wells with a 100 percent success rate in the Deep Basin during the Quarter. The wells tested at an average rate of 2.5 mmcf per day per well. The Nikanassin was the primary target in these wells with additional zones including the Charlie Lake, Bluesky and Falher zones being completed as well;
- Completed a \$200 million convertible debenture financing subsequent to the Quarter. The debenture have a coupon of 5.25 percent and are convertible into Progress common shares at \$18.00 per share;
- Produced 30,122 boe per day for the Quarter. Progress currently has approximately 5,000 boe per day shut-in due to low gas prices and approximately 3,500 boe per day behind pipe. These volumes are expected to be brought on-stream during the last week of October and first week of November;
- Generated cash flow of \$20.6 million in the Quarter or \$0.12 per share, diluted;
- Maintained third quarter dividend at \$0.10 per common share and adopted a dividend reinvestment program.

### Foothills Montney Program Update

Progress has built a land position totaling over 800,000 undeveloped acres in the Montney fairway in northeast British Columbia and northwest Alberta. The primary focus of the Corporation's Montney program is currently in the Town area in the heart of Progress' Foothills region where a large network of Progress-owned gathering pipelines and compressor stations already exist. Recent well results and the DPIIP results have increased the Corporation's confidence that a commercial program can be initiated in 2010.

### *Montney Drilling*

Five vertical and three horizontal wells have been drilled in the Town area since late 2008. The vertical wells have had variable test rates averaging approximately 900 thousand cubic feet ("mcf") per day, post fracture stimulation ("frac"). Progress' most recent vertical well was a step-out and, post frac, tested at a stabilized rate

of 1.3 mmcf per day. The first horizontal well drilled at Town had an initial production rate of 2.4 mmcf per day and after 90 days on production, exhibited a shallow decline and is currently producing at a stabilized rate of 1.4 mmcf per day. The second horizontal well was drilled and completed over a 1,400 meter horizontal section. The well was fracture stimulated across eight limited intervals and had a stabilized gas rate of approximately 10 mmcf per day. This well was shut-in for pressure build up and has been brought on stream at a restricted rate of approximately 5 mmcf per day. The third horizontal was drilled from an existing vertical wellbore and was fracture stimulated across five intervals and had a stabilized test rate of two mmcf per day. This well has now been shut-in for pressure build-up and will be brought on stream by mid-November.

### ***Resource Assessment***

Progress recently engaged GLJ Petroleum Consultants Ltd. ("GLJ") to prepare an independent evaluation of the Discovered Petroleum Initially-In-Place ("DPIIP") as defined in the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") surrounding its recent Montney drilling activity in the Town area. Effective October 27, 2009, GLJ has concluded that the best estimate of DPIIP for the Town Montney project is 1.7 TCF, net working interest to Progress, over an area of 40 sections (38.3 net). This represents less than five percent of Progress' Foothills Montney land position. GLJ further estimated that the low and high estimates of DPIIP for the project were 0.8 TCF and 2.7 TCF, net working interest to Progress, over areas of 18.2 (17.4 net) and 62.7 (60.4 net) sections, respectively.

Given the current early stage of the Montney program, the best estimate of DPIIP might change significantly in the future with further activity and the amount of Contingent Resources, as defined in the COGE Handbook, has yet to be estimated. Progress is in the early stages of development of this asset and while management is encouraged by the results to date, additional drilling and testing is required to confirm deliverability potential and commercial economics. The DPIIP estimates provided herein are estimates only and the actual DPIIP may be greater than, or less than, the estimates provided herein. There is no certainty that it will be commercially viable or technically feasible to produce any portion of this natural gas currently classified as DPIIP.

At December 31, 2008, with only one Montney well drilled and completed, Progress had 6.5 billion cubic feet ("BCF") proved plus probable reserve bookings assigned to the Town Montney project. The reserves assessment of the Montney will be updated in this area in conjunction with the year end reserves evaluation.

Upcoming drilling will include a vertical step-out program designed to expand the current boundaries and a horizontal pilot program in the Town South area. Horizontal wells drilled in Town will qualify under the government of British Columbia's deep drilling program. A well with a 1,900 meter vertical section and a 1,400 meter horizontal section is expected to receive a royalty credit of approximately \$2.1 million.

### **Deep Basin of Northwest Alberta Update**

Progress drilled six wells (5.6 net) in its Deep Basin program in the Quarter and has achieved a 100 percent success rate on the 15 wells (13.5 net) drilled in the area in 2009. Five wells were completed in the Quarter and tested an average of 2.5 mmcf per day per well. Five additional Deep Basin wells will be drilled prior to year end.

"Our Deep Basin drilling program has continued to deliver strong results and the success we have achieved in the Nikanassin formation is additive to other producing horizons," said Mr. Culbert. "Approximately two-thirds of our second half capital is being invested in this area, with a continued focus on the Nikanassin, while our behind pipe volumes have continued to grow throughout the year. The behind pipe volumes will be brought on-stream over the next couple of weeks with wells drilled in the fourth quarter brought on stream as they are completed and tied in."

In early 2008, Progress successfully co-developed a new completions technique which helped unlock certain tight Nikanassin gas accumulations. Using a slick oil completion, the Corporation was able to achieve an average 10-fold increase in initial production rates compared to historical industry results in the Nikanassin. Progress has now completed 15 wells in the Nikanassin using this technology and has achieved an average test rate of 2.5 mmcf per day from this zone. The Nikanassin is typically commingled with one to three other zones from the

fourteen potential zones that the Corporation produces from in this area. Progress currently has one rig running in the Deep Basin and will utilize one rig for the remainder of the year with continued focus on the Nikanassin formation. Progress continues to assess the economics of drilling horizontally versus vertically in the multiple stacked horizons of the Deep Basin.

The economics for drilling in the Deep Basin remain very strong and have been enhanced by the drilling credits provided under the Alberta Drilling Royalty Credit Incentive Program. This program provides a drilling credit of \$200 per meter drilled and the New Well Royalty Incentive Program provides a five percent royalty for the first year of production up to 500 mmcf.

### **Financial Strength**

Cash flow for the Quarter was \$20.6 million or \$0.12 per share, diluted. Capital investment was \$32.4 million and the dividend for the third quarter was maintained at \$0.10 per common share.

During the Quarter, Progress announced a \$200 million convertible unsecured subordinated debenture offering which matures on October 31, 2014. The debentures pay at a rate of 5.25 percent annually and are convertible to common shares of Progress at a price of \$18.00 per common share. This long-term financing provides significant flexibility for the Corporation under its existing \$650 million credit facility of which approximately \$410 million is currently available. Debt-to-total capitalization for Progress is currently approximately 20 percent.

Progress' average gas price in the Quarter was \$3.10 per thousand cubic feet ("mcf"). The Corporation's high heat content gas stream achieves a premium to AECO prices. Royalty rates averaged 10 percent in the Quarter reflecting lower natural gas prices. With reduced natural gas volumes, operating costs averaged \$6.94 per boe in the Quarter. Subsequent to the end of the Quarter, Progress crystallized its entire currency hedge for a gain of \$1.3 million.

### **Outlook**

We are on track to invest approximately \$175 million in total in 2009 in our two key operating regions. Our primary focus will continue to be on proving up additional play concepts in our core areas, such as the Montney and Nikanassin, which we believe will have a material impact on the future value of the Corporation.

In September, we shut-in approximately 5,000 boe per day of natural gas production in response to the weak natural gas price environment. We are bringing this production back on-stream into a gas price environment that is more than double when we shut-in the production. In addition to the shut-in volumes, we will bring on our behind pipe volumes of approximately 3,500 boe per day over the next couple of weeks. As we bring on shut-in and behind pipe volumes, we expect to be producing in the range of 34,000 to 35,000 boe per day. Through the effective management of our 2009 capital investment program, we expect to exit 2009 at a rate consistent with our first quarter production levels and at an on-stream capital efficiency of approximately \$20,000 per boe per day.

Natural gas prices have begun to strengthen in advance of the winter heating season. On the supply side, natural gas directed drilling has increased recently but remains over 50 percent lower than the peak level of activity in September 2008. As well, overall North American onshore production has begun to fall and is likely to continue falling given the relatively high initial decline rates of wells being drilled in unconventional plays and the low level of drilling activity. On the demand side, industrial production has been improving and the demand by industrial users is increasing gas consumption.

Our focus through the lows in the commodity and business cycles has been on long-term resource capture to position us for the next up cycle. The maintenance of our healthy balance sheet was further improved through the convertible debenture offering which will term out a large portion of our debt. Our balance sheet provides us with the flexibility to take advantage of opportunities which add long-term value for shareholders. The alignment of the interests of the Corporation's shareholders and its management is created through direct ownership in the

common shares of Progress. Management, directors and employees in aggregate hold approximately 10 percent of the outstanding common stock of the Corporation.

#### **Dividend Reinvestment Program**

In August 2009, Progress announced that it has adopted a dividend reinvestment plan (the "DRIP"). The DRIP allows eligible shareholders of Progress to direct that their cash dividends be reinvested in additional common shares which, when issued from treasury, will be issued at 95 percent of the Average Market Price (as defined in the DRIP) on the applicable dividend payment date. A registered shareholder who wishes to enroll in the DRIP may do so by contacting Computershare Trust Company of Canada, the Plan Agent. Beneficial shareholders who wish to participate in the DRIP should contact the broker or other nominee through which their common shares are held to provide appropriate enrollment instructions and to ensure any deadlines or other requirements that such broker or nominee may impose or be subject to are met.

A complete copy of the DRIP is available by following the "Shareholder Information - DRIP link" on the "Investors" page of Progress' website at [www.progressenergy.com](http://www.progressenergy.com) or from Computershare by calling 1-800-564-6253. Shareholders should carefully read the complete text of the DRIP before making any decisions regarding their participation in the DRIP.

#### **Consolidated Financial Statements and MD&A**

Third Quarter 2009 Consolidated Financial Statements and Notes to the Consolidated Financial Statements and Management's Discussion and Analysis for Progress Energy Resources Corp. have been filed on SEDAR ([www.sedar.com](http://www.sedar.com)) under Progress Energy Resources Corp. and can also be accessed on the Corporation's website at [www.progressenergy.com](http://www.progressenergy.com).

Progress is a Calgary based, mid-size energy corporation primarily focused on natural gas exploration, development and production in northwest Alberta and northeast British Columbia. Common shares of Progress are listed on the Toronto Stock Exchange under the symbol PRQ.

#### **For further information:**

Greg Kist, Vice President, Investor Relations and Marketing  
Progress Energy Resources Corp.  
403-539-1809 ([gkist@progressenergy.com](mailto:gkist@progressenergy.com)).

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis ("MD&A") of financial results is dated October 27, 2009 and is to be read in conjunction with the accompanying unaudited consolidated interim financial statements and related notes for the period ended September 30, 2009 of Progress Energy Resources Corp. ("Progress" or the "Company") and the audited consolidated financial statements and related notes and MD&A of Progress Energy Trust (the "Trust") for the year ended December 31, 2008. The financial data presented has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The reporting and the measurement currency is the Canadian dollar.

**Non-GAAP Measurements** Management uses the industry benchmark operating netback to analyze financial and operating performance. This benchmark as presented does not have any standardized meaning prescribed by Canadian GAAP and therefore may not be comparable with the calculation of similar measures for other entities. Operating netback is used by research analysts to compare operating performance and the Company's ability to maintain current operations and meet the forecasted capital program. Operating netback is the net result of the Company's revenue, net of realized gains and losses on financial instruments, and royalty, operating and transportation expenses as found in the accompanying interim financial statements.

**Forward-Looking Statements** Certain information regarding Progress set forth in this document, including Management's assessment of the Company's future plans and operations, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward looking statements. Such statements represent Progress' internal projections, estimates or beliefs concerning, among other things, an outlook on the estimated amounts and timing of capital investment, anticipated future debt, revenues or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. These statements are only predictions and actual events or results may differ materially. Although Progress believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause Progress' actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, Progress.

In particular, forward-looking statements included in this MD&A include, but are not limited to, statements with respect to the size of, and future net revenues from, crude oil and natural gas reserves; future prospects; the focus of and timing of capital expenditures; expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development; access to debt and equity markets; projections of market prices and costs and the related sensitivity of dividends; the performance characteristics of the Company's crude oil and natural gas properties; crude oil and natural gas production levels; Progress' future operating and financial results; capital investment programs; supply and demand for crude oil and natural gas; future royalty rates; drilling, development and completion plans and the results therefrom; amount of operating and general and administrative expenses; treatment under governmental regulatory regimes and tax laws; estimated tax pool balances; and payment of future dividends. In addition, statements relating to "reserves" or "resources" are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future.

These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond the Company's control, including the impact of general economic conditions; volatility in market prices for crude oil and natural gas; industry conditions; volatility of commodity prices; currency fluctuation; imprecision of reserve estimates; liabilities inherent in crude oil and natural gas operations; environmental risks; incorrect assessments of the value of acquisitions and exploration and development programs; competition from other producers; the lack of availability of qualified personnel or management; changes in income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry; hazards such as fire, explosion, blowouts, cratering, and spills, each of which could result in substantial damage to wells, production facilities, other

property and the environment or in personal injury; stock market volatility; ability to access sufficient capital from internal and external sources and the other risks considered under "Risk Factors" in our annual information form for the year ended December 31, 2008 which is available on [www.sedar.com](http://www.sedar.com).

With respect to forward-looking statements contained in this MD&A, Progress has made assumptions regarding: current commodity prices and royalty regimes; availability of skilled labour; North American sulphur prices; timing and amount of capital expenditures; future exchange rates; the price of oil and natural gas; the impact of increasing competition; conditions in general economic and financial markets; availability of drilling and related equipment; effects of regulation by governmental agencies; royalty rates and future operating costs.

Management has included the above summary of assumptions and risks related to forward-looking information provided in this MD&A in order to provide shareholders with a more complete perspective on Progress' future operations and such information may not be appropriate for other purposes. Progress' actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that the Company will derive there from. Readers are cautioned that the foregoing lists of factors are not exhaustive. These forward-looking statements are made as of the date of this MD&A and the Company disclaim any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

#### **PLAN OF ARRANGEMENT – CREATION OF PROGRESS ENERGY RESOURCES CORP.**

On January 15, 2009 the Trust and ProEx Energy Ltd. ("ProEx") completed the plan of arrangement (the "Arrangement") whereby ProEx acquired all of the issued and outstanding units of the Trust and the exchangeable shares of the Trust's subsidiary, Progress Energy Ltd. and changed its name to Progress Energy Resources Corp. The Trust unitholders received 0.8125 of a ProEx share for each trust unit held and the holders of exchangeable shares received 0.8125 of a ProEx share for each unit they were entitled to by multiplying the exchangeable shares held by the exchange ratio on January 15, 2009 of 1.62092.

Upon completion of the Arrangement, the Trust was liquidated and dissolved and the Company received all of the assets and assumed all of the liabilities of the Trust, including the 6.75 percent and 6.25 percent convertible unsecured subordinated debentures of the Trust (the "Debentures"). The Company is now a mid-sized natural gas focused exploration, development and production company.

As a result of the Arrangement, the former owners of the Trust own approximately 61 percent of the Company and the former owners of ProEx own approximately 39 percent. In accordance with Canadian GAAP, the Arrangement is a reverse takeover, whereby the Trust is deemed to be the acquirer of ProEx (the "ProEx Acquisition" or "Reverse Takeover"). Consequently, the consolidated financial statements for 2009 reflect the financial position, results of operations and cash flows of the Company as if the Company had always carried on the business formerly carried on by the Trust. The nine months ended September 30, 2009 reflect the results of operations and cash flows of the Trust and its subsidiaries for the period January 1 to January 14, 2009 and the results of operations and cash flows of the Company and its subsidiaries for the period January 15 to September 30, 2009. The comparative amounts are the results of the Trust and its subsidiaries. Due to the change from a trust to a corporation, certain information included in the MD&A for prior periods may not be directly comparable.

The total consideration of the Reverse Takeover was approximately \$663.5 million based on the notional issuance of 73,479,481 Trust units at \$9.26 per Trust unit using the weighted average trading price of the Trust for a period before and after the announcement date of November 17, 2008, adjusted for the effect of normal issue costs, and estimated transaction costs and other costs of \$10.3 million. The ProEx Acquisition added approximately 11,500 boe per day of production and approximately 525,000 net acres of undeveloped land.

## **Description of Business**

Progress is a Calgary based, natural gas focused Company. The principal undertaking of the Company is to explore for, develop and hold interests in petroleum and natural gas properties. Primary operating regions include the Deep Basin of northwest Alberta and the northeast British Columbia Foothills and Fort St. John Plains regions. The common shares of the Company trade on the Toronto Stock Exchange (“TSX”) under the symbol PRQ. The 6.75 percent and 6.25 percent convertible unsecured subordinated debentures trade on the TSX under the symbols PRQ.DB and PRQ.DB.A, respectively. Subsequent to September 30, 2009, the Company issued \$200.0 million principal amount of 5.25 percent convertible unsecured subordinated debentures which trade on the TSX under the symbol PRQ.DB.B.

## **Relationship with ProEx Energy Ltd. Prior to the Arrangement**

Progress (formerly ProEx) was created as part of a plan of arrangement effective July 2, 2004 which included the creation of the Trust. Progress had no ownership interest in the Trust and the Trust had no ownership interest in Progress. Progress had no employees. The Trust provided personnel and services to Progress under a technical services agreement (“Technical Services Agreement”) which was terminated on completion of the Arrangement. The Technical Services Agreement was put in place to ensure the sharing of costs of operating both companies using the Trust’s employees. The Trust provided personnel and certain administrative and technical services to Progress in connection with the management, development, exploitation and operation of the assets of Progress and the marketing of its production. The Trust provided these services in accordance with the Technical Services Agreement.

Progress and the Trust also shared the cost of long-term compensation and consequently Progress had granted stock options and shares to employees and executives of the Trust as service providers and had also participated in a long term incentive plan by granting Progress common shares to employees of the Trust, excluding the executives. To facilitate this plan, the Trust purchased Progress common shares and was reimbursed by Progress for the cost incurred. As at September 30, 2009 30,370 Progress common shares (2008 – 184,489) remain outstanding under this plan.

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

## **OPERATING SUMMARY**

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

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

## Production

	Three Months Ended September 30		Nine Months Ended September 30		Change
	2009	2008	2009	2008	
<b>Average Daily Production</b>					
Natural gas ( <i>mcf/d</i> )	157,522	126,265	168,772	124,972	35%
Crude oil ( <i>bbls/d</i> )	1,874	2,027	2,050	2,063	(1%)
Natural gas liquids ( <i>bbls/d</i> )	1,995	1,712	2,180	1,810	20%
Total daily production ( <i>boe/d</i> )	30,122	24,783	32,358	24,702	31%
<hr/>					
Sulphur sales ( <i>tons/d</i> )	82	34	81	38	113%

Progress' production for the three months ended September 30, 2009 (the "Quarter") averaged 30,122 boe per day consisting of 157,522 mcf per day of natural gas, 1,874 bbls per day of crude oil and 1,995 bbls per day of natural gas liquids. On September 1, 2009 Progress shut-in approximately 5,000 boe per day of natural gas production in response to low natural gas prices, resulting in lower production for the Quarter. Production during the Quarter was 22 percent higher than the same period in 2008 of 24,783 boe per day due to the production acquired through the ProEx Acquisition on January 15, 2009. The Company's production portfolio for the Quarter was weighted 87 percent to natural gas, six percent to crude oil and seven percent to natural gas liquids.

Natural gas production increased 25 percent to 157,522 mcf per day for the Quarter compared to 126,265 mcf per day for the same period in 2008, in spite of the shut-in production beginning September 1, 2009. The increase is a result of the ProEx Acquisition. Crude oil and natural gas liquids production for the Quarter of 3,869 bbls per day was consistent with the same period in 2008 of 3,739 bbls per day.

Year-to-date 2009 production was 32,358 boe per day consisting of 168,772 mcf per day of natural gas, 2,050 bbls per day of crude oil and 2,180 bbls per day of natural gas liquids. This production was 31 percent higher than the same period in 2008 of 24,702 boe per day due to the ProEx Acquisition. The Company's production portfolio for the nine months ended September 30, 2009 was weighted 87 percent to natural gas, six percent to crude oil and seven percent to natural gas liquids.

Progress has drilled, completed and tied-in wells in the year capable of producing approximately 3,500 boe per day ("behind pipe"). Progress expects these volumes to be brought on-stream in the last week of October and the first week of November 2009 along with approximately 5,000 boe per day of current shut-in production. Current production is approximately 26,000 boe per day prior to restarting shut-in and behind pipe volumes.

## Production by Region

	Three Months Ended September 30		Nine Months Ended September 30		Change
	2009	2008	2009	2008	
<b>Average Daily Production (boe/d)</b>					
Foothills	15,042	6,813	15,608	6,536	139%
Fort St. John Plains	1,895	1,778	2,068	1,714	21%
Other	556	1,105	773	1,097	(30%)
<b>Total British Columbia</b>	<b>17,493</b>	<b>9,696</b>	<b>18,449</b>	<b>9,347</b>	<b>97%</b>
Deep Basin	10,724	12,840	11,829	12,917	(8%)
Central Alberta	1,428	1,632	1,553	1,683	(8%)
Other	477	610	527	584	(10%)
<b>Total Alberta</b>	<b>12,629</b>	<b>15,082</b>	<b>13,909</b>	<b>15,184</b>	<b>(8%)</b>
Saskatchewan	-	5	-	171	(100%)
<b>Total daily production</b>	<b>30,122</b>	<b>24,783</b>	<b>32,358</b>	<b>24,702</b>	<b>31%</b>

Excludes sulphur production

## Pricing

### Natural Gas Markets

Progress' realized natural gas price for the Quarter was \$3.10 per mcf (2008 - \$9.12 per mcf) compared to the AECO daily index average of \$2.78 per gigajoule ("gj") and the AECO monthly index average of \$2.87 per gj (2008 - \$7.34 per gj and \$8.76 per gj, respectively). Progress markets its natural gas at a mix of daily and monthly pricing.

For the nine months ended September 30, 2009 Progress' realized natural gas price was \$4.11 per mcf (2008 - \$9.07 per mcf) compared to the AECO daily index average of \$3.57 per gigajoule ("gj") and the AECO monthly index average of \$3.89 per gj (2008 - \$8.17 per gj and \$8.13 per gj, respectively).

Natural gas prices in North America continued to fall through the Quarter reaching an intraday trading low of US\$2.41 per million British Thermal Unit (mmbtu) on September 4, 2009. Since that time, prices have risen and closed the Quarter at US\$4.84 per mmbtu. Although gas storage is currently at historical highs, the improvement in the overall economic outlook has raised expectations that demand for natural gas for industrial use will increase. As well, expectations for a normal or colder than normal winter are developing in North America which is expected to place a higher demand on natural gas for heating load.

Natural gas in storage is currently higher than any recorded period. This is a result of strong production from new shale gas plays, the lack of demand from industrial users and the absence of cooling load from air conditioning in the summer. Markets however, view the significant drop in drilling activity and the recovering economy as signs that supply and demand will come back into balance heading into the winter of 2009/2010.

### Oil Markets

Progress' realized prices for its liquids streams for the Quarter were \$69.66 per bbl (2008 - \$114.06 per bbl) for crude oil and \$41.46 per bbl (2008 - \$88.34 per bbl) for natural gas liquids. For the nine months ended September 30, 2009 Progress realized \$56.28 per bbl (2008 - \$106.71 per bbl) for crude oil and \$39.20 per bbl (2008 - \$81.70 per bbl) for natural gas liquids.

Crude oil prices ended the Quarter above US\$70.00 per barrel West Texas Intermediate ("WTI") after trading as low as US\$58.32 per barrel during the Quarter. The improving world economic outlook has had a positive impact

on world crude oil prices. With improving economic activity heading into late 2009 and early 2010, it is expected that the demand picture will resume a growth path based on a resurgence in demand in energy-intensive under-developed economies. On the supply side, OPEC is seemingly determined to maintain world oil prices in the range of US\$75.00 per barrel. Progress' crude oil production is made up predominately of light crude and does not include any heavy oil.

## Commodity Prices

	Three Months Ended September 30		Nine Months Ended September 30		Change
	2009	2008	2009	2008	
<b>Average Benchmark Prices</b>					
Natural gas – AECO (daily) (\$/gj)	2.78	7.34	3.57	8.17	(56%)
Natural gas – AECO (monthly) (\$/gj)	2.87	8.76	3.89	8.13	(52%)
Natural gas – Station #2 (daily) (\$/gj)	2.75	7.07	3.46	8.03	(57%)
Crude oil – WTI (US\$/bbl)	68.30	117.98	57.00	113.33	(50%)
Crude oil – Edmonton par price (Cdn\$/bbl)	71.59	121.91	62.40	115.12	(46%)
Exchange rate (Cdn\$/US\$)	1.0974	1.0418	1.1700	1.0186	15%
<b>Average Realized Prices</b>					
Natural gas (\$/mcf)	3.10	9.12	4.11	9.07	(55%)
Crude oil (\$/bbl)	69.66	114.06	56.28	106.71	(47%)
Natural gas liquids (\$/bbl)	41.46	88.34	39.20	81.70	(52%)
Sulphur – net (\$/ton)	(18.25)	604.69	4.40	407.89	(99%)

## Price Risk Management

The Company, from time to time, may enter into financial contracts for the purpose of protecting its cash flow from the volatility of natural gas prices and Canadian to US foreign exchange rates. For the Quarter, the Company's risk management program had a net realized gain of \$1.1 million (2008 - \$10.4 million loss). For the nine months ended September 30, 2009 the Company's risk management program had a realized gain of \$18.6 million (2008 - \$19.9 million loss).

At September 30, 2009 the fair value of the financial contracts was a liability of \$0.5 million (2008 - \$12.7 million asset). The Company's 2008/2009 winter financial contracts expired on March 31, 2009 and Progress has entered into AECO fixed price swaps for October and November, as well as AECO to Nymex swaps less a fixed discount and foreign exchange swaps. The aggregate AECO fixed swap amounts average 45,000 gj per day from October 1, 2009 to November 30, 2009 with an average fixed price of \$3.59 per gj. The AECO to Nymex swaps are for 25,000 mmbtu at an average differential of \$0.63 from November 1, 2009 to March 31, 2010. The foreign exchange swaps are based on 15,000 mmbtu's on Nymex pricing at an average exchange rate of 1.1568. The foreign exchange swaps were settled subsequent to the Quarter for net proceeds to the Company of \$1.3 million. The change in the fair value of the financial contracts for the Quarter and nine months ended September 30, 2009 was a loss of \$0.8 million and a loss of \$15.1 million, respectively (2008 - \$57.0 million gain and \$12.7 million gain, respectively). The loss for the Quarter was due to strengthening natural gas prices. The loss for the nine months ended September 30, 2009 was due to the expiration of the 2008/2009 winter contracts on March 31, 2009. The change in the fair value of the financial contracts for the same periods in 2008 was due to decreasing future natural gas prices.

## Revenue

For the Quarter, petroleum and natural gas revenue decreased 55 percent to \$64.4 million from \$143.0 million for the same period in 2008 as lower commodity prices more than offset the increase in production as a result of the ProEx Acquisition. Production revenue for the Quarter consisted of \$44.9 million from natural gas sales, \$12.0 million from crude oil sales, \$7.6 million from the sale of natural gas liquids and a loss of \$0.1 million from the sale of sulphur.

For the nine months ended September 30, 2009, revenues decreased 41 percent to \$244.1 million from \$415.8 million for the same period in 2008 as lower commodity prices more than offset the increase in production as a result of the ProEx Acquisition.

<i>(\$ thousands)</i>	Three Months Ended September 30		Nine Months Ended September 30		Change
	2009	2008	2009	2008	
Natural gas sales	44,939	105,953	189,225	310,709	(39%)
Crude oil sales	12,008	21,269	31,460	60,312	(48%)
Natural gas liquids sales	7,610	13,917	23,327	40,518	(42%)
Sulphur sales (net)	(136)	1,887	99	4,261	(98%)
Petroleum and natural gas revenue	64,421	143,026	244,111	415,800	(41%)

<i>(\$ thousands)</i>	Natural Gas	Crude Oil & NGLs	Sulphur	Total
Three months ended September 30, 2008 petroleum and natural gas revenue	105,953	35,186	1,887	143,026
Price variance	(87,243)	(16,791)	(4,687)	(108,721)
Production variance	26,229	1,223	2,664	30,116
<b>Three months ended September 30, 2009 petroleum and natural gas revenue</b>	<b>44,939</b>	<b>19,618</b>	<b>(136)</b>	<b>64,421</b>

<i>(\$ thousands)</i>	Natural Gas	Crude Oil & NGLs	Sulphur	Total
Nine months ended September 30, 2008 petroleum and natural gas revenue	310,709	100,830	4,261	415,800
Price variance	(230,381)	(55,337)	(8,984)	(294,702)
Production variance	108,897	9,294	4,822	123,013
<b>Nine months ended September 30, 2009 petroleum and natural gas revenue</b>	<b>189,225</b>	<b>54,787</b>	<b>99</b>	<b>244,111</b>

## Royalties

For the Quarter, royalties decreased 82 percent to \$6.1 million from \$33.8 million for the same period in 2008 due to lower revenues as a result of lower commodity prices. Royalty expense consists of royalties paid to provincial governments, freehold landowners and overriding royalty owners. The Company's average royalty rate for the Quarter was 9.5 percent compared to 23.7 percent in 2008. The decrease in the royalty rate is mainly due to lower natural gas prices.

For the nine months ended September 30, 2009 royalties decreased 69 percent to \$30.2 million compared to \$96.9 million for the same period in 2008. The Company's average royalty rate was 12.4 percent compared to 23.3 percent in 2008 due to lower commodity prices.

Management anticipates based on current commodity prices and royalty regimes, the average royalty rate for 2009 will be approximately 13.0 percent of petroleum and natural gas revenue.

#### *Alberta Royalties*

On October 25, 2007 the Alberta government announced the New Royalty Framework (“new framework”), which took effect on January 1, 2009. The new framework is based on a new simplified royalty formula for natural gas that operates on a sliding scale determined by commodity prices, well productivity and drilling depth. The Company’s Deep Basin well depths range between 2,300 to 2,700 meters which are eligible for the new measured depth drilling formula. Based on current commodity prices, the rates under the new framework are consistent with the Alberta royalty rates experienced in the past.

On November 19, 2008 the Alberta government announced that in response to the global economic crisis and a slowdown in oil and gas drilling throughout the province, it has implemented a transitional royalty program in which, companies drilling certain new wells after November 19, 2008, have a one-time option of selecting the transitional royalty program or the new framework. All wells drilled between 2009 and 2013 that adopt the transitional royalty program will be required to shift to the new framework on January 1, 2014. As a result, all of the Company’s Alberta wells, drilled before November 19, 2008 are now under the new framework. For all Alberta wells drilled after November 19, 2008, the Company has completed the required elections for those wells it has determined would economically benefit under the transitional royalty program.

On March 3, 2009 the Alberta government made a third announcement regarding royalties which provided incentives for the energy sector in response to the current global economic slowdown. The incentives include a drilling royalty credit for new conventional oil and natural gas wells of up to \$200 per meter drilled and a maximum five percent royalty rate for the first year of production from new oil or gas wells brought on production after April 1, 2009. On June 25, 2009 the Alberta government extended these incentives to March 31, 2011. The drilling royalty credit may be reduced depending on the amount of Alberta production on crown lands and how much crown royalties are paid. Progress has determined that it qualifies for the full credit. Progress is continuing to assess the impact of the incentives and will adjust drilling plans and the timing of bringing wells on production accordingly. As at September 30, 2009 approximately \$3.0 million in Alberta drilling credits have been earned and recognized as a reduction to capital spending.

#### *British Columbia Royalties*

On August 6, 2009 the government of British Columbia (“BC”) announced an oil and gas stimulus package to enhance BC’s competitive business climate and encourage continued oil and gas development and exploration. The package is comprised of two parts; a two percent royalty relief program and a change to the deep royalty credit program. The two percent royalty relief program is a one year, two percent royalty rate for all natural gas wells drilled in a 10 month window, August 31, 2009 to July 1, 2010 based on the well spud date. The two percent royalty will apply to the first 12 months of production and production must commence before December 31, 2010.

The change to the deep royalty credit program includes an increase of 15 percent to the existing royalty deductions for natural gas deep drilling and the inclusion of horizontal wells drilled between 1,900 and 2,300 metres. The change applies to wells spudded after August 31, 2009.

The two percent royalty relief program and the deep royalty credit program will co-exist but a company will only receive the benefits of one program at a time. The deep royalty credit will apply first. If it is exhausted before 12 months of production, the two percent royalty will be in effect for the remainder of the 12 months. If the deep royalty credit is not exhausted before 12 months, the two percent royalty program will not apply.

Progress is continuing to review the incentives available in both Alberta and BC and has considered the benefits of each program in its current drilling plans and will consider the benefits in future drilling plans.

## **Operating Expenses**

Operating expenses during the Quarter increased 38 percent to \$19.2 million from \$13.9 million for the same period in 2008 primarily due to the 22 percent increase in production as a result of the ProEx Acquisition. Additional costs were also incurred for gas processing related to prior periods and higher fees paid for certain production shifted to a gas processing facility with higher natural gas liquid recoveries. On a boe basis, operating expenses for the Quarter increased 14 percent to \$6.94 from \$6.09 in the same period in 2008.

For the nine months ended September 30, 2009 operating expenses increased 48 percent to \$61.1 million compared to \$41.4 million for the same period in 2008 as a result of the ProEx Acquisition. On a boe basis, year-to-date operating expenses increased 13 percent to \$6.92 compared to \$6.12 for the same period in 2008.

Management anticipates operating expenses for the remainder of the year to average \$6.75 per boe.

## **Transportation Expenses**

Transportation expenses for the Quarter increased 99 percent to \$9.1 million compared to \$4.6 million for the same period in 2008 and for the nine months ended September 30, 2009 transportation expenses increased 87 percent to \$26.7 million compared to \$14.3 million for the same period in 2008 as a result of the ProEx Acquisition. On a boe basis, transportation expenses for the Quarter of \$3.30 were 64 percent higher than the same period in 2008 of \$2.01 and for the nine months ended September 30, 2009 transportation expenses of \$3.03 were 44 percent higher than the same period in 2008 of \$2.11. The increase is due to ProEx having a higher transportation charge on its production as all of its production is in British Columbia where producers pay an all-in charge for regulated gathering, processing and transmission fees enabling producers to avoid facility construction. This all-in charge is included in transportation expenses.

Management anticipates transportation expenses for the remainder of the year to average \$3.00 per boe.

## Operating Netbacks

Although many wells produce both crude oil and natural gas, a well is categorized as a natural gas well or an oil well based upon the higher proportion of natural gas or crude oil production. The following table summarizes the operating netbacks for natural gas and oil properties for the three and nine months ended September 30, 2009 compared to the same period in 2008:

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
<b>Natural Gas Properties (\$/mcf)</b>				
Sales price	3.45	9.66	4.34	9.52
Realized gain (loss) on financial instruments	0.07	(0.84)	0.38	(0.54)
Royalties	(0.26)	(2.31)	(0.49)	(2.28)
Operating expenses	(1.05)	(0.91)	(1.05)	(0.90)
Transportation expenses	(0.57)	(0.34)	(0.52)	(0.36)
Operating netback – natural gas properties	1.64	5.26	2.66	5.44
<b>Oil Properties (\$/bbl)</b>				
Sales Price	53.87	98.38	47.79	95.26
Royalties	(9.61)	(21.45)	(9.04)	(19.50)
Operating expenses	(14.19)	(11.79)	(14.95)	(12.80)
Transportation expenses	(1.69)	(1.86)	(1.85)	(1.89)
Operating netback – oil properties	28.38	63.28	21.95	61.07
<b>All Properties (\$/boe)</b>				
Sales Price <sup>1</sup>	23.25	62.73	27.63	61.43
Realized gain on financial instruments	0.41	(4.58)	2.11	(2.93)
Royalties	(2.22)	(14.84)	(3.42)	(14.31)
Operating expenses	(6.94)	(6.09)	(6.92)	(6.12)
Transportation expenses	(3.30)	(2.01)	(3.03)	(2.11)
Operating netback – all properties	11.20	35.21	16.37	35.96

<sup>1</sup> Includes sulphur net revenue (loss) with no associated production as no conversion exists for tons to boe.

## General and Administrative Expenses

For the Quarter, general and administrative expenses net of overhead recoveries, (“G&A”) increased 44 percent to \$3.2 million compared to \$2.2 million for the same period in 2008. For the nine months ended September 30, 2009 G&A expenses increased 35 percent to \$10.3 million compared to \$7.7 million for the same period in 2008. The increase for both the Quarter and year-to-date amounts in 2009 is due to the ProEx Acquisition and related termination of the Technical Services Agreement. On a boe basis G&A for the Quarter was \$1.15 compared to \$0.97 for the same period in 2008 while year-to-date 2009 was \$1.17 compared to \$1.13 for the same period in 2008.

In accordance with the Technical Services Agreement with ProEx, the Trust had provided personnel and certain administrative and technical services in connection with the management, development, exploitation and operation of the assets of ProEx and the marketing of its production. The Trust provided these services to ProEx on an expense reimbursement basis, based on ProEx’s monthly capital activity and production levels relative to the combined capital activity and production levels of both the Trust and ProEx. Total expenses reimbursed by ProEx for the Quarter was nil compared to \$2.0 million for the same period in 2008, and for the year-to-date 2009

were \$0.7 million, which were incurred prior to the termination of the Technical Services Agreement, compared to \$6.4 million for the same period in 2008.

The Company capitalized approximately \$0.5 million of G&A during the Quarter (2008 - \$0.5 million) and \$1.5 million for the nine months ended September 30, 2009 (2008 - \$1.3 million). The majority of these costs represent compensation related to geological and geophysical staff.

Management anticipates G&A expenses to average approximately \$1.15 per boe in 2009.

### **Stock Based Compensation Expenses**

In conjunction with the Arrangement, the Company has established a stock based compensation plan ("Plan") comprised of a Stock Option Plan, as well as a Share Unit Plan which includes both Restricted Unit Awards and Performance Unit Awards. Unless otherwise approved by the shareholders, the Company may grant up to a maximum of 1,700,000 common shares pursuant to the Share Unit Plan. The Restricted Unit Awards are whole share awards that entitle the holder to that number of shares at the end of the vesting period. Performance Unit Awards are similar to the Restricted Unit Awards however, a performance factor is applied to the grant on the vesting date. Both the Restricted Unit Awards and Performance Unit Awards vest at the end of a three year period and include accumulated dividends paid over the three year period, however for new employees, their initial grant will vest 20 percent on the first anniversary date, 30 percent on the second anniversary and 50 percent on the third anniversary. Under the Stock Option Plan, unless otherwise approved by the shareholders, the Company may grant up to a maximum of 10,000,000 stock options. The stock options granted under the Stock Option Plan vest one third in each of the second, third and fourth year anniversary dates from the date of grant. The options expire in five years from the date of grant.

Grants that were outstanding from the Trust and ProEx, which include performance units and units granted under the Long Term Incentive Component ("LTI") as well as stock options of ProEx, will continue until their original vesting dates.

#### *Long Term Incentive Component of the Trust*

Awards granted under the LTI component of the Trust's compensation plan will vest over three years with 40 percent vesting on the second anniversary of the date of grant and 60 percent vesting on the third anniversary of the date of grant. An additional 15 percent grant will be paid if the holder holds the common shares they receive on the second anniversary date for one additional year. During the Quarter, 525 common shares were issued to settle LTI amounts that vested. As at September 30, 2009 104,222 common shares remain outstanding under the LTI component at an average value of approximately \$17.16 per share. The total compensation cost of the LTI component is approximately \$2.7 million of which \$2.5 million will be recognized through stock based compensation expense and \$0.2 million will be capitalized over the vesting period.

#### *Long Term Incentive Component of ProEx*

ProEx participated in the Trust's LTI by granting common shares to non-executive Trust employees in their capacity as service providers. To facilitate these awards, the Trust had purchased ProEx common shares and was reimbursed by ProEx for the cost incurred. The ProEx awards granted under the LTI vest on the second anniversary date of the date of grant. As these shares have been purchased and will not be issued from treasury, the stock based compensation expense is a cash expense and the shares granted do not impact the diluted number of shares outstanding. During the Quarter 1,429 common shares were released to employees on the vesting of their ProEx LTI and as at September 30, 2009 30,370 common shares have not yet vested.

#### *Performance Units of the Trust*

The performance units granted by the Trust vest at the end of a three year performance period at which time they will be converted to common shares, or the cash equivalent, and include the accumulated distributions of the Trust and accumulated dividends of the Company over the three year period. For new employees, their initial grant will vest 20 percent on the first anniversary date, 30 percent on the second anniversary and 50 percent on the third anniversary. The actual number of common shares paid is dependent upon a performance factor that is

determined based on the Company's performance relative to its peers and ranges from 0.5 to 1.5 times the initial grant, except for performance units granted to the Trust's executives effective July 2, 2007 and 2008 which can range from 0 to 3 times. Payment may be in the form of cash or common shares, at the Company's option. Management anticipates, at the end of the performance period, accumulated distributions and dividends will be paid in cash and common shares will be paid from treasury. Actual performance factors will not be determined until the end of the three year performance periods.

For the Quarter, stock based compensation expenses increased 29 percent to \$2.5 million (\$0.92 per boe) compared to \$2.0 million (\$0.86 per boe) for the same period in 2008. For the nine months ended September 30, 2009 stock based compensation expenses increased 40 percent to \$8.7 million (\$0.99 per boe) compared to \$6.2 million (\$0.92 per boe) for the same period in 2008. The increase is due to the ProEx Acquisition.

As at September 30, 2009, there were 5,941,533 stock options outstanding. This includes 4,574,000 stock options that were granted under the Stock Option Plan and 1,367,533 stock options granted by ProEx prior to the Arrangement that will continue until their original expiry date or until they are exercised or forfeited.

The following tables summarize the activity for the nine months ended September 30, 2009 and 2008 for the stock options, performance units of the Trust and the units under the LTI component of the Trust.

<b>Stock Options</b>	<b>Nine Months Ended September 30, 2009</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>
Balance, beginning of period	-	-
ProEx options assumed on the Arrangement	1,674,867	12.86
Granted	4,616,500	11.36
Forfeited	(149,834)	12.82
Exercised	(200,000)	5.65
Balance, end of period	5,941,533	11.94

<b>Restricted Units</b>	<b>Nine Months Ended September 30</b>	
	<b>2009</b>	<b>2008</b>
Balance, beginning of period	-	-
Granted	93,259	-
Balance, end of period	93,259	-

<b>Vesting Date</b>	<b>2009</b>	<b>2008</b>
2012	93,259	-
Total	93,259	-

Performance Units	Nine Months Ended September 30	
	2009	2008
Balance, beginning of period	-	-
Granted	259,950	-
Balance, end of period	259,950	-

Vesting Date		
2012	259,950	-
Total	259,950	-

Performance Units of the Trust <sup>1</sup>	Nine Months Ended September 30	
	2009	2008
Balance, beginning of period	1,087,247	1,127,913
Granted	-	449,922
Performance factor adjustment <sup>2</sup>	144,543	191,709
Settled <sup>2</sup>	(450,180)	(589,383)
Forfeited	(63,892)	(96,367)
Balance, end of period	717,718	1,083,794

Vesting Date		
2009	-	289,088
2010 <sup>3</sup>	319,373	361,359
2011	398,345	433,347
Total	717,718	1,083,794

- (1) All amounts have been adjusted to reflect the ratio of 0.8125 of a common share for each trust unit as specified in the Arrangement.
- (2) As a result of the Arrangement, the performance units granted to non-executive employees, granted in 2006, vested and were settled at a performance factor of 1.5 times resulting in the issuance of 202,495 common shares. The executive portion was settled during the Quarter at a performance factor of 1.5 times resulting in the issuance of 231,136 common shares. For non-executive employees, who receive their initial performance unit grants at the phased in vesting, 16,549 common shares were issued during the nine months ended September 30, 2009.
- (3) Using the current anticipated performance factor of 1.25 times, 85,132 additional common shares will be issued on the vesting of the 2010 performance units.

**Units under LTI Component<sup>1</sup>**

	<b>Nine Months Ended September 30</b>	
	<b>2009</b>	<b>2008</b>
Balance, beginning of period	161,284	153,957
Granted	-	19,693
Settled	(50,453)	-
Forfeited	(6,609)	(16,640)
Balance, end of period	<b>104,222</b>	<b>157,010</b>

**Vesting Date**

2009	3,266	55,038
2010	86,827	90,322
2011	14,129	11,650
Total <sup>2</sup>	<b>104,222</b>	<b>157,010</b>

- (1) All amounts have been adjusted to reflect the ratio of 0.8125 of a common share for each trust unit as specified in the Arrangement.
- (2) An additional 15 percent grant will be paid to LTI holders if a holder holds the shares they receive on the second anniversary date for one additional year. This would result in an additional 23,206 common shares issued by the Company.

**Interest and Financing Expenses**

Interest and financing expenses during the Quarter increased three percent to \$6.2 million compared to \$6.1 million for the same period in 2008 while year-to-date interest and financing expenses increased three percent to \$18.9 million compared to \$18.3 million for the same period in 2008. The increase was due to the increase in bank debt as a result of the ProEx Acquisition and to fund capital expenditures during the last half of 2008 and the first half of 2009. This was partially offset by lower interest rates on bank debt in 2009 compared to the same periods in 2008.

<i>(\$ thousands)</i>	<b>Three Months Ended September 30</b>		<b>Nine Months Ended September 30</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Interest on bank debt	3,447	3,293	10,658	10,054
Interest on Debentures	2,125	2,120	6,313	6,329
Amortization of Debenture issue costs	279	279	836	837
Accretion on debt portion of Debentures <sup>1</sup>	376	371	1,112	1,103
Total interest and financing expense	<b>6,227</b>	<b>6,063</b>	<b>18,919</b>	<b>18,323</b>
Interest and financing expense (\$/boe)	2.25	2.66	2.14	2.71
Average bank debt outstanding	441,501	280,116	426,344	292,192
Average bank debt interest rate (%)	3.1	4.7	3.3	4.6
Average bank prime lending rate (%)	2.3	4.8	2.4	5.0

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

**Depletion, Depreciation and Accretion**

For the Quarter, depletion and depreciation of property, plant and equipment and the accretion of the asset retirement obligations ("DD&A") increased 43 percent to \$52.6 million compared to \$36.7 million for the same period in 2008. For the nine months ended September 30, 2009 DD&A increased 49 percent to \$166.6 million compared to \$111.6 million for the same period in 2008. The increase for both the Quarter and year-to-date 2009

was due to the ProEx Acquisition. On a boe basis, DD&A for the Quarter was \$18.99 compared to \$16.11 for the same period in 2008 and for the nine months ended September 30, 2009 was \$18.86 compared to \$16.49 for the same period in 2008.

## Taxes

The provision for current income taxes for the nine months ended September 30, 2009 includes a recovery resulting from a revaluation of the estimated tax provision of a predecessor company of Progress.

The provision for future income taxes for the Quarter was a reduction of \$7.7 million compared to an expense of \$15.5 million in same period in 2008. For the nine months ended September 30, 2009 the provision for future income taxes was a reduction of \$15.7 million compared to an expense of \$7.6 million for the same period in 2008. The recoveries for the Quarter and year-to-date 2009 are due to a pre-tax loss for the periods due to lower revenues as a result of lower commodity prices and higher expenses as a result of the ProEx Acquisition. The expenses for the same periods in 2008 were due to amounts distributed by the Trust exceeding pre-tax earnings.

Progress' estimated tax pool balances as at September 30, 2009 total approximately \$1.7 billion.

## Non-Controlling Interest - Exchangeable Shares

As a result of the Arrangement on January 15, 2009 all of the exchangeable shares of the Trust were converted to common shares of the Company. Prior to the Arrangement the exchangeable shares of the Trust's subsidiary traded on the TSX, thereby allowing holders of the exchangeable shares to dispose of them without having to exchange them for trust units and consequently, they were classified as non-controlling interest outside of shareholders' equity. The net earnings attributable to the exchangeable shares was charged to the consolidated statement of earnings as non-controlling interest expense with a corresponding increase to non-controlling interest on the consolidated balance sheet.

<i>(\$ thousands, except unit amounts)</i>	<b>Nine months ended September 30</b>			
	<b>2009</b>		<b>2008</b>	
	<b>Number</b>	<b>Amount</b>	<b>Number</b>	<b>Amount</b>
<b>Exchangeable Shares</b>				
Balance, beginning of period	8,101,591	123,836	9,173,083	126,384
Exchanged for trust units	(3,640)	(56)	(1,050,127)	(14,848)
Exchanged for common shares	(8,097,951)	(123,780)	-	-
Non-controlling interest expense		-		11,601
Balance, end of period	-	-	8,122,956	123,137

The charge to net earnings of \$11.6 million for 2008 represents the net earnings attributable to the exchangeable shares over the period.

## Net Earnings and Comprehensive Income

Net earnings and comprehensive income for the Quarter decreased 151 percent to a net loss of \$26.9 million compared to net earnings of \$52.5 million for the same period in 2008 due to lower revenues as a result of lower commodity prices, as well as higher expenses as a result of the ProEx Acquisition. The basic and diluted net loss for the Quarter was \$0.16 per share and for the same period in 2008 basic and diluted net earnings were \$0.57 and \$0.53 per share respectively.

Net earnings and comprehensive income for the nine months ended September 30, 2009 decreased 159 percent to a net loss of \$52.5 million compared to net earnings of \$89.1 million for the same period in 2008 also due to

lower commodity prices and higher expenses as a result of the ProEx Acquisition. The basic and diluted net loss for the year-to-date 2009 was \$0.33 per share, compared to net earnings of \$0.97 and \$0.96 per share, respectively, for the same period in 2008.

## Dividends

During the Quarter the Company declared a cash dividend of \$0.10 per common share payable on October 15, 2009. The total amount of dividends for the Quarter is approximately \$16.5 million. Progress has implemented a dividend reinvestment plan (“DRIP”) during the Quarter whereby common shareholders can elect to receive their dividend in shares. The number of shares issued is based on 95 percent of the average market price being the weighted average trading prices of the shares for the five consecutive trading days before the dividend payment date. On October 15, 2009 the Company issued 105,914 common shares in payment of \$1.4 million of dividends for shareholders that elected to participate in the DRIP. For the nine months ended September 30, 2009 Progress has paid and or declared cash dividends of \$51.3 million which includes \$0.30 per common share for the year-to-date, as well as \$1.7 million relating to accumulated distributions and dividends paid on performance units that vested during the period. Progress intends to pay quarterly dividends, however these dividends are not guaranteed.

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

(\$ thousands, except per share amounts)	Three Months Ended							
	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31	Dec 31
	2009	2009	2009	2008	2008	2008	2008	2007
Petroleum and natural gas revenue	64,421	77,031	102,660	98,920	143,026	149,699	123,075	99,592
Net earnings (loss)	(26,877)	(20,915)	(4,694)	7,864	52,461	28,631	8,034	9,922
Per share basic <sup>2</sup>	(0.16)	(0.13)	(0.03)	0.09	0.57	0.31	0.09	0.11
Per share diluted <sup>2</sup>	(0.16)	(0.13)	(0.03)	0.09	0.53	0.31	0.09	0.11

(1) Petroleum and natural gas revenue for first and second quarter of 2008 increased due to higher commodity prices and higher production. Net earnings for the first quarter of 2008 included an unrealized loss on financial instruments of \$24.7 million due to strengthening future natural gas prices as compared to when the hedges were entered into. For the second quarter of 2008, commodity prices continued to strengthen which resulted in higher revenues and net earnings. For the third quarter of 2008, revenues decreased slightly due to lower commodity prices while net earnings included a \$57.0 million unrealized gain on financial instruments. Revenues and net earnings decreased in the fourth quarter of 2008 due to lower commodity prices which continued into the first and second quarters of 2009 and the Quarter. On January 15, 2009, ProEx was acquired through a reverse takeover. The higher production in 2009 as a result of the ProEx Acquisition was offset by the impact of lower commodity prices. A net loss was realized for the first second and third quarters of 2009 due to lower revenues from lower commodity prices, as well as higher expenses as a result of the ProEx Acquisition.

(2) The earnings per share amounts for 2008 and 2007 have been adjusted to reflect the Reverse Takeover as if it had occurred at the beginning of each period.

## Distributions

On January 15, 2009, the Trust was liquidated and dissolved and the Company received all of the assets and assumed all of the liabilities of the Trust. Consequently, the Trust’s final monthly distribution was for December 2008. Since January 2007, the Trust’s monthly distribution had been \$0.10 per trust unit. Distributions for the three and nine months ended September 30, 2008 were \$33.0 million and \$91.9 million, respectively.

For the three and nine months ended September 30, 2008, cash flow from operating activities (after changes in non-cash working capital) of \$81.5 million and \$223.6 million exceeded cash distributions of \$33.0 million and \$91.9 million, respectively.

For the third quarter of 2008, cash distributions of \$33.0 million were lower than net earnings of \$52.5 million. For the nine months ended September 30, 2008, cash distributions of \$91.9 million exceeded net earnings of \$89.1 million. Net earnings include significant non-cash charges which for the third quarter of 2008 were \$20.1 million. Net earnings include fluctuations in future income taxes due to changes in tax rates and tax rules. In addition, other non-cash charges such as DD&A are not a good proxy for the cost of maintaining our productive

capacity given the natural declines associated with crude oil and natural gas assets. In these instances, where distributions exceeded net earnings, a portion of the cash distribution paid to the unitholders may have represented an economic return of the unitholders' capital.

For the three months ended September 30, 2008, cash distributions and capital spending combined totaled \$87.2 million which was higher than the cash flow from operating activities (after changes in non-cash working capital) of \$81.5 million. For the nine months ended September 30, 2008 cash distributions and capital spending combined totaled \$201.1 million which was lower than the cash flow from operating activities (after changes in non-cash working capital) of \$223.6 million. The Trust relied on access to capital markets to the extent cash distributions and net capital expenditures exceeded cash flow from operations (after changes in non-cash working capital). Over the long term the Trust expected to fund distributions and capital expenditures with its cash flow. In the crude oil and natural gas sector, because of the nature of reserve reporting, the natural reservoir declines and the risks involved in capital investment, it was not possible to distinguish between capital spent on maintaining productive capacity and capital spent on growth opportunities. Therefore, maintenance capital was not disclosed separately from development capital spending.

### Capital Expenditures

During the Quarter, the Company invested \$32.0 million in capital expenditures compared to \$54.2 million in the same period in 2008. For the nine months ended September 30, 2009 the Company invested \$142.1 million in capital expenditures compared to \$109.2 million for the same period in 2008.

(\$ thousands)	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Land acquisitions and retention	1,536	17,118	18,990	23,186
Geological and geophysical	608	1,978	2,380	4,609
Drilling and completions	27,195	25,161	103,976	61,508
Equipping and facilities	3,031	7,786	16,721	21,674
Corporate assets	75	100	190	142
Exploration and development capital	32,445	52,143	142,257	111,119
Net property acquisitions (dispositions)	(403)	2,080	(198)	(1,920)
Total capital expenditures	32,042	54,223	142,059	109,199

During the Quarter, the Company drilled 11 gross wells (10.1 net) with a 100 percent success rate. The drilling activity included five gross wells (4.5 net) in the Foothills region and six gross (5.6 net) in the Deep Basin region. The Foothills drilling included Progress' second horizontal well in the Town area under its Montney program the results of which support the continued development of the Company's Montney opportunities.

Year-to-date Progress drilled 40 gross wells (35.6 net) with an 89 percent success rate. The drilling activity included 15 gross wells (13.5 net) in the Deep Basin region, 23 gross wells (20.1 net) in the Foothills region and two gross (2.0 net) in the Central Alberta region. The net wells include 32.6 gas wells and 3.0 abandoned wells.

The drilling credits now offered by the Alberta and BC governments (see "Royalties" above) help support a consistent pace of drilling activity in this weak natural gas price environment. For wells subject to the new well incentives offered by the Alberta government, which provides a five percent royalty on the first year of production, the Company delayed the on-stream start-up of new wells until the first week of November when natural gas prices are expected to be stronger. The BC two percent royalty relief program applies to wells with spud dates between August 31, 2009 and July 1, 2010 and changes to its deep royalty credit program will take effect on wells with spud dates after August 31, 2009. As at September 30, 2009, Progress has earned approximately \$3.0 million in drilling credits under the Alberta program which have been recognized as a reduction to capital spending.

For the remainder of 2009, the Company will focus on proving up additional play concepts in the Foothills and Deep Basin regions in the Montney and Nikanassin formations.

On January 15, 2009, the Company completed the Arrangement which resulted in the combination of ProEx and the Trust. Each Trust unitholder received 0.8125 of a common share for each trust unit held. The transaction has been accounted for as a reverse takeover whereby the Trust has been deemed the acquirer of ProEx. The total consideration of the reverse takeover was approximately \$663.5 million based on the notional issuance of 73,479,481 Trust units at \$9.26 per Trust unit using the weighted average trading price of the Trust for a period before and after the announcement date of November 17, 2008, adjusted for the effect of normal issue costs, and estimated transaction costs and other costs of \$10.3 million. The resulting charge to property, plant and equipment on the allocation of the purchase was \$967.1 million. The common shares issued upon completion of the Arrangement represent the non-cash value of this transaction and are not included in the table above. Cash transaction costs incurred in 2009 of \$5.6 million has been disclosed separately on the statement of cash flows.

On June 26, 2008, Progress disposed of its Saskatchewan properties to Seaview Energy Inc. (“Seaview”) for gross proceeds of \$28.3 million (\$26.7 million net of final closing adjustments and fees). The amount received included \$5.4 million of cash and 8,300,000 Class A common shares of Seaview valued at \$2.76 per share. The shares received represent the non-cash value of this transaction and are not included in the table above.

During the nine months ended September 30, 2009 Progress acquired over 100,000 acres of undeveloped land through crown land sales and through property acquisitions and swaps in established fairways in the Foothills and Deep Basin regions. The Company also acquired approximately 525,000 acres of undeveloped land through the Arrangement.

Progress’ capital investment program will be flexible to respond to changes in natural gas prices and to maintaining financial flexibility. Progress expects to invest approximately \$175 million in total for 2009 in its two key operating regions focusing on proving up additional play concepts such as the Nikanassin and Montney which the Company believes will have a material impact on its future value and also maximizes the benefit of the changes to the Alberta and BC royalties.

#### **Goodwill**

The goodwill balance of \$414.7 million was primarily the result of the acquisition of Cequel Energy Inc. in 2004. In accordance with Canadian GAAP, goodwill is not amortized but is subject to an impairment test. Progress conducted a goodwill impairment test at its fiscal year end. Goodwill may be tested for impairment between annual tests in certain situations.

For these purposes, the fair value of goodwill is determined as the fair value of the Company as a whole less the fair value of the Company’s 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 the Company, being primarily the value of its oil and natural gas reserves. There was no impairment of goodwill as at September 30, 2009.

## Liquidity and Capital Resources

<i>(\$ thousands, except per share amounts)</i>	<b>September 30 2009</b>	<b>December 31 2008</b>
Working capital deficiency	9,041	20,556
Bank debt	440,518	299,531
Convertible debentures	126,656	124,708
Total debt	576,215	444,795
Shares outstanding (thousands)	165,126	112,797
Market price per share, end of period	13.82	8.95
Market value of shares	2,282,041	1,009,533

At September 30, 2009 the Company had \$440.5 million outstanding on its credit facility of \$650.0 million, as well as \$126.7 million for the debt portion of the Debentures and a working capital deficit of \$9.0 million, resulting in \$576.2 million of total debt.

In conjunction with the Arrangement, the Company entered into a \$650 million extendible revolving term credit facility for a period of at least 364 days until January 14, 2010, and such initial term out date may be extended for further 364 day periods, subject to approval by the banks. As with previous credit facilities, the amount of the facility is subject to a borrowing base review performed on a periodic basis by the lenders, based primarily on reserves and using commodity prices estimated by the lenders, as well as other factors. A decrease in the borrowing base could result in a reduction to the credit facility which may require a repayment to the lenders over the following 12 month period. The initial review for the new facility was performed in December 2008 using the reserves determined as at September 1, 2008 for the Arrangement and commodity prices determined by the lenders. The lenders performed an updated borrowing base review during the first quarter of 2009 using the Company's reserves as at January 1, 2009 and updated prices determined by the lenders. As a result, there was no change to the current credit facility. The facility is secured by a \$1.5 billion fixed and floating charge debenture on the assets of the Company. The next semi-annual borrowing base review will be in November 2009.

Bank debt of \$440.5 million as at September 30, 2009 was \$141.0 million higher than December 31, 2008 bank debt of \$299.5 million due to \$163.2 million of bank debt assumed on the ProEx Acquisition, as well as capital spending in the first nine months of 2009. This was partially offset by the completion of a bought deal financing on February 18, 2009 whereby the Company issued 12,950,000 common shares at a price of \$10.85 per share for aggregate gross proceeds of \$140.5 million (\$133.8 million, net of issue costs of approximately \$6.7 million). The working capital deficiency decreased from \$20.5 million as at December 31, 2008 to \$9.0 million as at September 30, 2009 due primarily to reduced accounts payable and accrued liabilities in the Quarter as a result of lower capital expenditures.

As at September 30, 2009 the Company had outstanding \$55.7 million principal amount of the 6.75 percent debentures and \$75.0 million principal amount of the 6.25 percent debentures for a combined total of \$130.7 million. The 6.75 percent and 6.25 percent debentures pay interest semi-annually and are convertible at the option of the holder at any time into fully paid common shares at a conversion price of \$18.46 per common share and \$24.00 per common share, respectively. The 6.75 percent debentures mature on June 30, 2010 and the 6.25 percent debentures mature September 30, 2011 at which time they are due and payable. Progress may elect to satisfy the interest and principal obligations by the issuance of common shares. The net proceeds were used to reduce outstanding bank indebtedness.

The Debentures have been classified as debt net of the fair value of the conversion feature which has been classified as part of shareholders' equity and net of issue costs. At September 30, 2009 the debt portion was \$126.7 million, net of unamortized issue costs. Issue costs are amortized over the term of the Debentures and the debt portion will accrete up to the principal balance at maturity. The accretion, amortization of issue costs and the interest paid are expensed with interest and financing expense on the consolidated statements of earnings.

Subsequent to the Quarter, on October 23, 2009 Progress issued \$200.0 million principal amount of 5.25 percent convertible unsecured subordinated debentures (the “5.25 percent debentures”). Interest on the 5.25 percent debentures is payable in equal instalments semi-annually in arrears on April 30 and October 31 in each year commencing April 30, 2010. The 5.25 percent debentures will mature on October 31, 2014. Each debenture may be converted into common shares at the option of the holder at a conversion price of \$18.00 per common share. After October 31, 2012, the Company may redeem the 5.25 percent debentures in whole or in part provided the common shares weighted average trading price during a specified period prior to redemption is at least 125 percent of the conversion price. The Company may satisfy the payment of principal or interest in common shares under certain circumstances. The net proceeds received of approximately \$192.0 million was used to reduce outstanding bank debt.

Outstanding as at October 26, 2009 were the following:

	<b>Shares outstanding or issuable</b>
Common shares	165,341,780
Convertible debentures <sup>(1)</sup>	17,251,658
Stock options	5,832,867
Restricted Unit Awards	96,259
Performance Unit Awards	259,950
Performance units from the Trust	717,718
LTI component from the Trust	102,530

1) Includes the 5.25 percent debentures which were issued on October 23, 2009.

### ***Current economic conditions***

Progress continued to have access to both debt and equity markets in 2009 in spite of the current economic conditions and financial market volatility. Progress entered into a \$650 million extendible revolving term credit facility in conjunction with the Arrangement. As noted above on February 18, 2009, Progress issued 12,950,000 common shares at a price of \$10.85 per share for net proceeds of \$133.8 million which were used to repay a portion of the outstanding bank indebtedness thereby freeing up borrowing capacity to fund a portion of the 2009 capital program. Subsequent to the Quarter, the Company issued \$200.0 million principal amount of 5.25 percent debentures as described above. The net proceeds were used to repay a portion of the outstanding bank debt.

The Company’s investing activities for the nine months ended September 30, 2009 consisted of expenditures on its capital program as well as the Arrangement. Management anticipates that the Company will continue to have adequate liquidity to fund forecasted capital expenditures through a combination of cash flow and debt. Cash flow used to finance these commitments may reduce the amount of dividends paid to shareholders as dividends are not guaranteed.

### **INTERNATIONAL FINANCIAL REPORTING STANDARDS**

On February 13, 2008, Canada’s Accounting Standards Board confirmed January 1, 2011 as the effective date for the convergence of Canadian GAAP to International Financial Reporting Standards (“IFRS”). The Company is continuing to assess the impact of adopting IFRS and implementing its plans for transition. The Company is currently analyzing the accounting policy choices available under IFRS and assessing the impact of certain accounting standards relating to crude oil and natural gas operations. The project is being managed by an in-house team of accounting professionals who have attended and will continue to attend training sessions specific to IFRS adoption. The Company’s auditors have and will be involved throughout the process to ensure the Company’s policies are in accordance with these new standards. The Company also continues to assess its accounting software and the tools and functions available to support the changes under IFRS.

The IFRS team has identified the main conversion risks and will spend the majority of their time focused on these areas. One of which is the transition from the full cost method of accounting, which the Company currently uses

to account for petroleum and natural gas operations, to something acceptable under IFRS. There are a variety of approaches available, each of which, the Company is currently evaluating.

In July 2009 an amendment to IFRS 1 First Time Adoption of International Reporting Standards was issued that applies to oil and gas assets. The amendment allows an entity that used full cost accounting under its previous GAAP to elect, at its time of adoption, to measure exploration and evaluation assets at the amount determined under the entity's previous GAAP and to measure oil and gas assets in the development or production phases by allocating the amount determined under the entity's previous GAAP for those assets to the underlying assets pro rata using reserve volumes or reserve values as of that date. Progress currently anticipates that it will use this exemption.

The majority of the work is scheduled for 2009. The Company plans to have an opening January 1, 2010 balance sheet, which is in accordance with IFRS, meaning the project will be near completion in December 2009. The Company will maintain both Canadian GAAP and IFRS compliant financial statements in 2010.

## **DISCLOSURE CONTROLS AND PROCEDURES**

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's Management, as appropriate, to allow timely decisions regarding required disclosures. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by the interim filings that the Company's disclosure controls and procedures are effective to provide reasonable assurance that material information related to the issuer, is made known to them by others within the Company. It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objective of the control system is met. There were no changes made to, nor did the Arrangement have any impact on, the disclosure controls and procedures during the Quarter or nine months ended September 30, 2009.

## **Additional Information**

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

## OUTLOOK

We are on track to invest approximately \$175 million in total in 2009 in our two key operating regions. Our primary focus will continue to be on proving up additional play concepts in our core areas, such as the Montney and Nikanassin, which we believe will have a material impact on the future value of the Company.

In September, we shut-in approximately 5,000 boe per day of natural gas production in response to the weak natural gas price environment. We are bringing this production back on-stream into a gas price environment that is more than double when we shut-in the production. In addition to the shut-in volumes, we will bring on our behind pipe volumes of approximately 3,500 boe per day over the next couple of weeks. As we bring on shut-in and behind pipe volumes, we expect to be producing in the range of 34,000 to 35,000 boe per day. Through the effective management of our 2009 capital investment program, we expect to exit 2009 at a rate consistent with our first quarter production levels and at an on-stream capital efficiency of approximately \$20,000 per boe per day.

Natural gas prices have begun to strengthen in advance of the winter heating season. On the supply side, natural gas directed drilling has increased recently but remains over 50 percent lower than the peak level of activity in September 2008. As well, overall North American onshore production has begun to fall and is likely to continue falling given the relatively high initial decline rates of wells being drilled in unconventional plays and the low level of drilling activity. On the demand side, industrial production has been improving and the demand by industrial users is increasing gas consumption.

Our focus through the lows in the commodity and business cycles has been on long-term resource capture to position us for the next up cycle. The maintenance of our healthy balance sheet was further improved through the convertible debenture offering which will term out a large portion of our debt. Our balance sheet provides us with the flexibility to take advantage of opportunities which add long-term value for shareholders. The alignment of the interests of the Company's shareholders and its management is created through direct ownership in the common shares of Progress. Management, directors and employees in aggregate hold approximately 10 percent of the outstanding common stock of the Company.

On behalf of the Board of Directors,

(Signed) "Michael R. Culbert"

Michael R. Culbert  
President & CEO  
October 27, 2009

**PROGRESS ENERGY RESOURCES CORP.**  
**CONSOLIDATED BALANCE SHEETS**

(Unaudited)

<i>(\$ thousands)</i>	September 30 2009	December 31 2008
<b>ASSETS</b>		
Current		
Accounts receivable	26,489	37,931
Prepaid expenses and deposits	11,582	10,323
Investments (Note 11)	10,303	8,744
Fair value of financial instruments (Note 11)	-	10,242
Future income taxes	-	2,046
	<b>48,374</b>	69,286
Property, plant and equipment (Note 4)	1,987,929	1,042,971
Future income taxes	-	34,064
Goodwill	414,655	414,655
	<b>2,450,958</b>	1,560,976
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	40,902	62,332
Cash dividends payable	16,513	-
Fair value of financial instruments (Note 11)	543	-
Convertible debentures (Note 6)	54,931	-
Cash distributions payable	-	9,982
Current income taxes payable	-	5,240
Future income taxes	-	3,053
	<b>112,889</b>	80,607
Bank debt (Note 5)	440,518	299,531
Convertible debentures (Note 6)	71,725	124,708
Asset retirement obligations (Note 7)	38,393	29,412
Future income taxes	63,775	-
	<b>727,300</b>	534,258
<b>NON-CONTROLLING INTEREST</b>		
Exchangeable shares (Note 8)	-	123,836
<b>SHAREHOLDERS' EQUITY</b>		
Shareholders' capital (Note 9)	1,942,595	1,019,361
Convertible debentures (Note 6)	7,699	7,699
Contributed surplus (Note 9)	14,245	12,959
Deficit	(240,881)	(137,137)
	<b>1,723,658</b>	902,882
Subsequent event (Note 12)		
	<b>2,450,958</b>	1,560,976

See accompanying notes to the consolidated financial statements

**PROGRESS ENERGY RESOURCES CORP.**  
**CONSOLIDATED STATEMENTS OF EARNINGS (LOSS), COMPREHENSIVE INCOME (LOSS)**  
**AND DEFICIT**

*(Unaudited)*

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
<i>(\$ thousands, except per share amounts)</i>				
<b>REVENUE</b>				
Petroleum and natural gas	64,421	143,026	244,111	415,800
Royalties	(6,145)	(33,841)	(30,209)	(96,855)
	58,276	109,185	213,902	318,945
Realized gain (loss) on financial instruments <i>(Note 11)</i>	1,142	(10,433)	18,600	(19,853)
Unrealized gain (loss) on financial instruments <i>(Note 11)</i>	(848)	57,005	(15,126)	12,727
Unrealized gain (loss) on investments <i>(Note 11)</i>	(173)	(15,602)	1,559	(3,959)
	58,397	140,155	218,935	307,860
<b>EXPENSES</b>				
Operating	19,219	13,886	61,109	41,395
Transportation	9,146	4,584	26,742	14,306
General and administrative	3,185	2,218	10,319	7,665
Stock based compensation <i>(Note 9)</i>	2,538	1,971	8,726	6,235
Interest and financing	6,227	6,063	18,919	18,323
Depletion, depreciation and accretion	52,614	36,741	166,595	111,598
	92,929	65,463	292,410	199,522
Earnings (loss) before taxes and non-controlling interest	(34,532)	74,692	(73,475)	108,338
<b>TAXES</b>				
Current income taxes	-	-	(5,240)	39
Future income tax expense (reduction)	(7,655)	15,470	(15,749)	7,572
	(7,655)	15,470	(20,989)	7,611
Net earnings (loss) before non-controlling interest	(26,877)	59,222	(52,486)	100,727
Non-controlling interest – exchangeable shares <i>(Note 8)</i>	-	(6,761)	-	(11,601)
<b>NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS)</b>	(26,877)	52,461	(52,486)	89,126
Deficit, beginning of period	(197,491)	(134,558)	(137,137)	(112,310)
Dividends/Distributions	(16,513)	(32,965)	(51,258)	(91,878)
Deficit, end of period	(240,881)	(115,062)	(240,881)	(115,062)
<b>NET EARNINGS (LOSS) PER SHARE <i>(Note 9)</i></b>				
Basic	(0.16)	\$0.57	(0.33)	\$0.97
Diluted	(0.16)	\$0.53	(0.33)	\$0.96

*See accompanying notes to the consolidated financial statements*

**PROGRESS ENERGY RESOURCES CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

(\$ thousands)	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
<b>OPERATING ACTIVITIES</b>				
Net earnings (loss)	(26,877)	52,461	(52,486)	89,126
Unrealized (gain) loss on financial instruments (Note 11)	848	(57,005)	15,126	(12,727)
Unrealized loss (gain) on investments (Note 11)	173	15,602	(1,559)	3,959
Depletion, depreciation and accretion	52,614	36,741	166,595	111,598
Convertible debentures accretion (Note 6)	376	371	1,112	1,103
Amortization of convertible debenture issue costs (Note 6)	279	279	836	837
Stock based compensation expense (Note 9)	2,538	1,971	8,389	6,235
Asset retirement expenditures (Note 7)	(1,700)	(398)	(2,946)	(755)
Non-controlling interest – exchangeable shares (Note 8)	-	6,761	-	11,601
Amortization of commodity sales contract	-	(109)	-	(335)
Future income tax expense (reduction)	(7,655)	15,470	(15,749)	7,572
	20,596	72,144	119,318	218,214
Changes in non-cash working capital (Note 10)	43,003	9,377	(2,879)	5,368
	63,599	81,521	116,439	223,582
<b>FINANCING ACTIVITIES</b>				
Increase (decrease) in bank debt	10,573	(2,159)	(22,228)	(16,672)
Issue of shares (Note 9)	-	-	140,507	-
Exercise of options (Note 9)	282	-	1,130	-
Cash dividends/distributions	(17,484)	(32,865)	(44,728)	(91,648)
Share issue costs (Note 9)	(2)	-	(6,692)	-
	(6,631)	(35,024)	67,989	(108,320)
<b>INVESTING ACTIVITIES</b>				
Plan of Arrangement (Note 1)	(457)	-	(5,624)	-
Capital expenditures	(32,042)	(54,223)	(142,059)	(109,199)
Changes in non-cash working capital (Note 10)	(24,469)	7,726	(36,745)	(6,063)
	(56,968)	(46,497)	(184,428)	(115,262)
<b>CHANGE IN CASH AND SHORT-TERM INVESTMENTS</b>				
Cash and short-term investments, beginning of period	-	-	-	-
<b>CASH AND SHORT-TERM INVESTMENTS, END OF PERIOD</b>				
	-	-	-	-

See accompanying notes to the consolidated financial statements

# PROGRESS ENERGY RESOURCES CORP.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*(Unaudited) (tabular amounts are in \$ thousands except for shares and per share amounts)*

### 1. PLAN OF ARRANGEMENT

On January 15, 2009 Progress Energy Trust (the “Trust”) and ProEx Energy Ltd. (“ProEx”) completed the plan of arrangement (the “Arrangement”) whereby ProEx acquired all of the issued and outstanding units of the Trust and the exchangeable shares of the Trust’s subsidiary, Progress Energy Ltd. and changed its name to Progress Energy Resources Corp. (“Progress” or the “Company”). The Trust unitholders received 0.8125 of a ProEx share for each trust unit held and the holders of exchangeable shares received 0.8125 of a ProEx share for each unit they were entitled to by multiplying the exchangeable shares held by the exchange ratio on January 15, 2009 of 1.62092.

Upon completion of the Arrangement, the Trust was liquidated and dissolved and Progress received all of the assets and assumed all of the liabilities of the Trust.

As a result of the Arrangement, the former owners of the Trust own approximately 61 percent of the Company and the former owners of ProEx own approximately 39 percent. In accordance with Canadian generally accepted accounting principles (“GAAP”), the Arrangement has been accounted for as a reverse takeover, whereby the Trust is deemed to be the acquirer of ProEx. The consolidated financial statements for 2009 reflect the financial position, results of operations and cash flows of the Company as if the Company had always carried on the business formerly carried on by the Trust. The nine months ended September 30, 2009 reflect the results of operations and cash flows of the Trust and its subsidiaries for the period January 1 to January 14, 2009 and the results of operations and cash flows of the Company and its subsidiaries for the period January 15 to September 30, 2009. The comparative amounts are the results of the Trust and its subsidiaries. Due to the change from a trust to a corporation, certain information included in the consolidated financial statements for prior periods may not be directly comparable.

The total consideration of the reverse takeover was approximately \$663.5 million based on the notional issuance of 73,479,481 Trust Units at \$9.26 per Trust Unit based on the weighted average trading price of the Trust for a period before and after the announcement date of November 17, 2008, adjusted for the effect of normal issue costs and including transaction and other costs of \$10.3 million. Using the purchase method of accounting, the net assets acquired and the consideration paid were as follows:

<b>Net Assets at Assigned Values</b>	
Current assets	35,565
Current liabilities	(54,359)
	(18,794)
Property, plant and equipment	967,078
Bank debt	(163,215)
Future income taxes	(114,698)
Asset retirement obligations	(6,827)
	<b>663,544</b>
<b>Consideration</b>	
Common shares issued	653,203
Transaction costs	7,633
ProEx options	2,708
	<b>663,544</b>

## **2. ORGANIZATION AND STRUCTURE OF THE BUSINESS**

Progress is engaged in the exploration for, and the acquisition, development and production of, oil and natural gas reserves in the provinces of British Columbia and Alberta. Progress was incorporated on April 8, 2004 under the name ProEx Energy Ltd. and commenced commercial operations on July 2, 2004. On January 15, 2009, in connection with the Arrangement, ProEx was renamed Progress Energy Resources Corp. The Company currently has one wholly owned subsidiary and is a partner in a general partnership.

### **Relationship with ProEx Energy Ltd.**

Progress (formerly ProEx) was created as part of a plan of arrangement effective July 2, 2004 which included the creation of the Trust. The Trust had no ownership interest in Progress and Progress had no ownership interest in the Trust. Progress had no employees. Prior to the completion of the Arrangement on January 15, 2009, a technical services agreement ("Technical Services Agreement") was in place between the Trust and Progress whereby the Trust provided personnel and certain administrative and technical services in connection with the management, development, exploitation and operation of the assets of Progress and the marketing of its production. The Trust provided these services to Progress on an expense reimbursement basis, based on Progress' monthly capital activity and production levels relative to the combined capital activity and production levels of both the Trust and Progress. Total expense reimbursed by Progress for the three and nine months ended September 30, 2009 was \$nil and \$0.7 million, respectively (2008 – \$2.0 million and \$6.4 million).

The Trust and Progress also shared the cost of long-term compensation and consequently Progress granted stock options and shares to employees and executives of the Trust as service providers and had also participated in the long term incentive plan by granting Progress common shares to employees of the Trust, excluding the executives. To facilitate this plan, the Trust purchased Progress common shares and was reimbursed by Progress for the cost incurred. At the date of the Arrangement, 184,482 Progress shares had been purchased for future distribution under the plan. As at September 30, 2009, 30,370 Progress common shares remain outstanding under this plan (2008 – 184,489).

The Trust and Progress had joint interests in certain properties and undeveloped land. These joint interest properties were governed by standard industry agreements and in addition, the Trust and Progress entered into a protocol arrangement (the "Protocol Arrangement") that specified how each company would manage the joint lands in specifically identified areas of interest. The Protocol Arrangement identified methods and processes to be followed on both existing and new lands, joint facilities, marketing, seismic and surface rights. To ensure good governance practices, both the Trust and Progress had each created independent committees of their Board of Directors to monitor compliance with the Technical Services Agreement and the Protocol Arrangement.

As a result of the Arrangement, both the Technical Services Agreement and the Protocol Arrangement were terminated.

## **3. SUMMARY OF ACCOUNTING POLICIES**

The interim consolidated financial statements of the Company have been prepared following the same accounting policies and methods of computation as the consolidated financial statements of the Trust for the year ended December 31, 2008. The disclosures provided below are incremental to those included with the annual consolidated financial statements and certain disclosures, which are normally required to be included in the notes to the annual consolidated financial statements, have been condensed or omitted. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Trust's annual filings for the year ended December 31, 2008. Refer to note 1.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The consolidated financial statements are stated in Canadian dollars and have been prepared in accordance with Canadian GAAP.

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

#### 4. PROPERTY, PLANT AND EQUIPMENT

	<b>September 30 2009</b>	<b>December 31 2008</b>
Property, plant and equipment	2,736,430	1,627,026
Accumulated depletion and depreciation	(748,501)	(584,055)
Property, plant and equipment, net	<b>1,987,929</b>	<b>1,042,971</b>

The calculation of 2009 depletion and depreciation expense included an estimated \$204.8 million (2008 - \$84.1 million) for future development costs associated with proved undeveloped reserves and excluded \$49.2 million (2008 - \$26.0 million) for the estimated future net realizable value of production equipment and facilities and \$221.1 million (2008 - \$108.5 million) for the estimated value of unproven properties. Depletion and depreciation expense for the three and nine months ended September 30, 2009 was \$51.9 million and \$164.4 million, respectively (2008 - \$36.0 million and \$109.5 million).

The Company capitalized approximately \$2.2 million of geological and geophysical compensation costs associated with the exploration and development of capital assets during the nine months ended September 30, 2009 (2008 - \$2.1 million).

#### 5. BANK DEBT

	<b>September 30 2009</b>	<b>December 31 2008</b>
Direct advances	10,518	17,531
Banker's acceptances	430,000	282,000
Total bank debt	<b>440,518</b>	<b>299,531</b>

At September 30, 2009 the Company's credit facilities consisted of a \$650 million extendible revolving term credit facility with a syndicate of banks. The facilities are available on a revolving basis for a period of at least 364 days until January 14, 2010, and such initial term out date may be extended for further 364 day periods at the request of Progress, subject to approval by the banks. The amount of the facility is subject to a borrowing base test performed on a periodic basis by the lenders, based primarily on reserves and using commodity prices estimated by the lenders, as well as other factors. A decrease in the borrowing base could result in a reduction of the credit facility which may require a repayment to the lenders over the following 12 month period. The lenders performed an updated borrowing base review during the first quarter of 2009 using the Company's reserves at January 1, 2009 and updated prices determined by the lenders. As a result, there was no change to the credit facility. Various borrowing options are available under the facilities including prime rate based advances and banker's acceptance loans. Average cost of borrowing under these facilities for the nine months ended September 30, 2009 was 3.3 percent (2008 - 4.6 percent). The credit facilities are secured by a \$1.5 billion fixed and floating charge debenture on the assets of the Company. The next semi-annual borrowing base review will be in November 2009.

## 6. CONVERTIBLE DEBENTURES

The 6.75 percent debentures and the 6.25 percent debentures (the “Debentures”) have been classified as debt, net of issue costs and net of the fair value of the conversion feature at the date of issue which has been classified as part of shareholders’ equity. The issue costs will be amortized over the term of the Debentures and the debt portion will accrete up to the principal balance at maturity. The accretion, amortization of issue costs and the interest paid are expensed within interest and financing expense on the consolidated statements of earnings. The fair value of the conversion feature was determined at the time of issue as the difference between the principal value of the debentures and the discounted cash flows assuming an eight percent rate, which was the estimated rate for debt with similar terms at the time. If the Debentures are converted to shares, a portion of the value of the conversion feature under shareholders’ equity will be reclassified to shareholders’ capital along with the conversion price paid.

The 6.75 percent debentures and the 6.25 percent debentures pay interest semi-annually and are convertible at the option of the holder at any time into fully paid common shares at a conversion price of \$18.46 per common share and \$24.00 per common share, respectively. Pursuant to the Arrangement, the conversion prices have been adjusted to reflect the ratio of common shares received for each Trust unit.

The 6.75 percent debentures mature on June 30, 2010 and the 6.25 percent debentures mature on September 30, 2011, at which time they are due and payable. The Company may elect to satisfy the interest and principal obligations by the issuance of common shares.

	Nine Months Ended September 30					
	2009			2008		
Debentures	6.75%	6.25%	Total	6.75%	6.25%	Total
Principal, beginning of period	55,667	75,000	130,667	55,727	75,000	130,727
Converted to Shares	-	-	-	(60)	-	(60)
Principal, end of period	55,667	75,000	130,667	55,667	75,000	130,667
Debt portion, beginning of period	54,196	70,512	124,708	53,274	68,900	122,174
Accretion	386	726	1,112	384	719	1,103
Amortization of issue costs	349	487	836	350	487	837
Converted to Shares <sup>1</sup>	-	-	-	(57)	-	(57)
Debt portion, end of period	54,931	71,725	126,656	53,951	70,106	124,057
Equity portion, beginning of period	2,753	4,946	7,699	2,756	4,946	7,702
Converted to Shares	-	-	-	(3)	-	(3)
Equity portion, end of period	2,753	4,946	7,699	2,753	4,946	7,699

(1) Net of unamortized issue costs.

Total interest charged to earnings for the three months ended September 30, 2009 was \$2.8 million (2008 - \$2.8 million) which includes \$0.4 million of debenture accretion (2008 - \$0.4 million) and \$0.3 million of amortized issue costs (2008 - \$0.3 million).

Total interest charged to earnings for the nine months ended September 30, 2009 was \$8.3 million (2008 - \$8.3 million) which includes \$1.1 million of debenture accretion (2008 - \$1.1 million) and \$0.8 million of amortized issue costs (2008 - \$0.8 million).

## 7. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations were estimated based on the Company’s net ownership interest in all wells and facilities, the estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in future periods. The total undiscounted amount of the estimated cash flows required to settle the asset retirement obligations is approximately \$129.4 million which will be incurred over the next

40 years with the majority of costs incurred between 2018 and 2038. A credit adjusted risk-free rate of eight percent was used to calculate the fair value of the asset retirement obligations.

The following reconciles the Company's asset retirement obligations:

	Nine Months Ended September 30	
	2009	2008
Balance, beginning of period	29,412	35,012
Liabilities incurred	2,951	2,298
Liabilities settled	(2,946)	(755)
Plan of Arrangement <i>(Note 1)</i>	6,827	-
Disposition	-	(3,504)
Accretion expense	2,149	2,133
Balance, end of period	38,393	35,184

#### 8. NON-CONTROLLING INTEREST – EXCHANGEABLE SHARES

All outstanding exchangeable shares were converted to common shares as part of the Arrangement on January 15, 2009. Prior to the completion of the Arrangement on January 15, 2009, the non-controlling interest on the consolidated balance sheet consisted of the book value of exchangeable shares issued to Progress Energy Ltd. shareholders and the fair value of exchangeable shares issued to Cequel Energy Inc. shareholders as part of a plan of arrangement that became effective on July 2, 2004, and included the net earnings attributable to the exchangeable shares, less exchangeable shares (and related cumulative earnings) redeemed. The non-controlling interest charge on the consolidated statement of earnings represented the share of net earnings attributable to the exchangeable shares based on the trust units issuable for exchangeable shares in proportion to total trust units issued and issuable each period end.

	Nine months ended September 30			
	2009		2008	
	Number	Amount	Number	Amount
<b>Exchangeable Shares</b>				
Balance, beginning of period	8,101,591	123,836	9,173,083	126,384
Exchanged for trust units	(3,640)	(56)	(1,050,127)	(14,848)
Exchanged for common shares <i>(Note 1)</i>	(8,097,951)	(123,780)	-	-
Non-controlling interest expense		-		11,601
Balance, end of period	-	-	8,122,956	123,137

## 9. SHAREHOLDERS' EQUITY

An unlimited number of voting common shares may be authorized and issued. Each common share is transferable, carries the right to one vote and represents an equal undivided beneficial interest in any dividends from the Company and in the assets in the event of termination or winding-up of the Company. All common shares are of the same class with equal rights and privileges.

### Shareholders' Capital

#### a) Common Shares of Progress Energy Resources Corp.

	Nine months ended September 30			
	2009		2008	
	Number	Amount	Number	Amount
<b>Common Shares</b>				
Balance, beginning of period	-	-	-	-
Issued for Trust units <i>(Note 1)</i>	81,107,815	1,019,417	-	-
Issued for Exchangeable Shares <i>(Note 1)</i>	10,664,982	122,752	-	-
Issued for ProEx shares <i>(Note 1)</i>	59,702,078	653,203	-	-
Share based compensation	500,633	10,342	-	-
Issued on exercise of options	200,000	1,130	-	-
Issued for cash	12,950,000	140,507	-	-
Share issue costs (net of tax of \$1,936)		(4,756)		-
Balance, end of period	165,125,508	1,942,595	-	-

#### b) Trust Units of Progress Energy Trust

	Nine months ended September 30			
	2009		2008	
	Number	Amount	Number	Amount
<b>Trust Units</b>				
Balance, beginning of period	99,819,172	1,019,361	97,478,808	990,946
Exchangeable shares converted	5,831	56	1,576,746	17,351
Unit based compensation	-	-	725,394	10,681
Issued on conversion of Debentures	-	-	4,000	60
Exchanged for common shares <i>(Note 1)</i>	(99,825,003)	(1,019,417)	-	-
Balance, end of period	-	-	99,784,948	1,019,038

On June 19, 2009, 247,685 common shares were issued to settle the performance units vesting on July 2, 2009, resulting in \$5.1 million being transferred from contributed surplus to shareholders' capital.

On February 18, 2009, Progress issued 12,950,000 common shares at a price of \$10.85 per share for aggregate gross proceeds of \$140.5 million (\$133.8 million, net of issue costs of approximately \$6.7 million).

Upon completion of the Arrangement on January 15, 2009, the existing Trust unitholders received 0.8125 of a common share for each trust unit held and the holders of exchangeable shares received 0.8125 of a common share for each unit they were entitled to by multiplying the exchangeable shares held by the exchange ratio on January 15, 2009 of 1.62092.

On January 15, 2009, 202,495 shares were issued to settle the performance units that vested as part of the Arrangement at a performance factor of 1.5 times, resulting in \$3.4 million being transferred from contributed surplus to shareholders' capital. In June 2009, 231,136 shares were issued to settle performance units that vested at a performance factor of 1.5 times and 16,549 share were issued to settle performance units that vested at a performance factor of 1.0 times, resulting in \$5.1 million being transferred from contributed surplus to shareholders' capital.

For the nine months ended, September 30, 2009, 50,453 shares were issued to settle shares vesting under the Trust's Long Term Incentive plan ("LTI"), resulting in \$0.9 million being transferred from contributed surplus to shareholders' capital.

For the nine months ended, September 30, 2009 200,000 options were exercised, resulting in \$1.0 million being transferred from contributed surplus to shareholders' capital, and cash proceeds of \$1.1 million.

### **Management of Capital Structure**

Progress' objectives when managing capital has not changed as a result of the Arrangement and the subsequent restructuring from a trust to a corporation. The objectives remain (i) to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk; and (ii) to manage capital in a manner which balances the interests of equity and debt holders.

In the management of capital, Progress includes share capital and total debt, which is made up of bank debt, convertible unsecured debentures and working capital. Progress manages the capital structure and makes adjustments in light of current economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, Progress may issue new common shares, issue new debt, issue new debt to replace existing debt with different characteristics, adjust exploration and development capital expenditures, and acquire or dispose of assets. During the first quarter of 2009, Progress entered into a new credit facility, as well as issued 12,950,000 common shares at a price of \$10.85 per share to maintain its flexible capital structure. Subsequent to September 30, 2009, the Company issued \$200.0 million of 5.25% convertible unsecured subordinated debentures described in note 12.

The key measures that the Company utilizes in evaluating its capital structure are total debt to cash flow from operating activities (before changes in non-cash working capital) and the current credit available from its creditors in relation to the Company's budgeted capital program. Total debt to cash flow from operating activities (before changes in non-cash working capital) is calculated as total debt divided by cash flow from operating activities (before changes in non-cash working capital) and represents the time period it would take to pay off the debt if no further capital expenditures were incurred and if cash flow from operating activities (before changes in non-cash working capital) stayed constant. At September 30, 2009 total debt was \$576.2 million and the annualized cash flow from operating activities (before changes in non-cash working capital) based on the nine months ended September 30, 2009 was \$159.1 million, resulting in a total debt to cash flow from operating activities (before changes in non-cash working capital) ratio of 3.6. This ratio, although higher than past ratios, is acceptable to the Company in light of the current natural gas price environment during the period. Progress has reduced its capital investment program downward to \$175 million from its original \$350 million budget due to weak natural gas prices.

## Net Earnings Per Share

The following table summarizes the weighted average common shares used in calculating net earnings per share:

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Weighted average common shares – basic <sup>(1)</sup>	165,120,349	91,975,292	159,495,607	91,975,292
Performance units <sup>(2)</sup>	545,642	440,481	461,034	628,271
6.75% Debentures	-	3,015,296	-	-
6.25% Debentures	-	3,125,000	-	-
Weighted average common shares – diluted	165,665,991	98,556,069	159,956,641	92,603,563

(1) Adjusted to reflect the reverse takeover as described in note 1, as if it occurred at the beginning of the period.

(2) Adjusted to reflect the terms of the Arrangement described in note 1.

Shares potentially issuable on the conversion of the Debentures for the three and nine months ended September 30, 2009 and the nine months ended September 30, 2008 are anti-dilutive and are not included in the calculation of diluted weighted average units.

## Stock based compensation expenses

In conjunction with the Arrangement, the Company has established a stock based compensation plan (“Plan”) comprised of a Stock Option Plan, as well as a Share Unit Plan which includes both restricted unit awards and performance unit awards. Unless otherwise approved by the shareholders, the Company may grant up to a maximum of 1,700,000 common shares pursuant to the Share Unit Plan. The restricted unit awards are whole share awards that entitle the holder to that number of shares at the end of the vesting period. Performance unit awards are similar to the restricted unit awards, however, a performance factor is applied to the grant on the vesting date. Both the restricted unit awards and performance unit awards vest at the end of a three year period and include accumulated dividends paid over the vesting period, however for new employees, their initial grant will vest 20 percent on the first anniversary date, 30 percent on the second anniversary and 50 percent on the third anniversary. Under the Stock Option Plan, unless otherwise approved by the shareholders, the Company may grant up to a maximum of 10,000,000 stock options. The stock options granted under the Stock Option Plan vest one third in each of the second, third and fourth year anniversary dates from the date of grant. The options expire in five years from the date of grant.

Grants that were outstanding from the Trust and ProEx, which include performance units and units granted under the LTI Component as well as stock options of ProEx, will continue until their original vesting dates.

## Stock options

As at September 30, 2009, there were 5,941,533 stock options outstanding. This includes stock options which were granted under the Plan and stock options that have continued from ProEx’s original stock option plan.

The following table summarizes the stock option activity for the nine months ended September 30, 2009.

	Number of options	Weighted average exercise price
Balance, beginning of period	-	-
ProEx options assumed on the Arrangement <i>(Note 1)</i>	1,674,867	12.86
Granted	4,616,500	11.36
Forfeited	(149,834)	12.82
Exercised	(200,000)	5.65
Balance, end of period	5,941,533	11.94

The following table summarizes stock options outstanding and exercisable at September 30, 2009.

Range of exercise price	Options outstanding			Options exercisable	
	Number outstanding at period end	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at period end	Weighted average exercise price
\$5.65 to \$7.95	7,000	0.07	6.75	7,000	6.75
\$9.08 to \$13.40	4,705,666	4.24	11.39	101,666	12.43
\$13.66 to \$16.50	1,228,867	2.65	14.06	733,034	14.04
	5,941,533	3.91	11.94	841,700	13.79

The Company accounts for its stock based compensation plan using the fair value method. Under this method, a compensation cost is charged over the vesting period for stock options granted to officers, directors and employees with a corresponding increase to contributed surplus.

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

Assumptions	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Risk free interest rate (%)	2.33	-	1.80	-
Expected life (years)	4.0	-	4.0	-
Expected volatility (%)	44.44	-	42.21	-
Expected dividend yield (%)	4.0	-	3.5	-
Weighted average fair value of options granted (\$)	2.76	-	3.00	-

## Share units

The activity for the nine months ended September 30, 2009 relating to the Company's Share Unit Plan which includes both restricted units and performance units as described above, is as follows:

Restricted Units	Nine Months Ended September 30	
	2009	2008
Balance, beginning of period	-	-
Granted	93,259	-
Balance, end of period	93,259	-

  

Vesting Date	Nine Months Ended September 30	
	2009	2008
2012	93,259	-
Total	93,259	-

  

Performance Units	Nine Months Ended September 30	
	2009	2008
Balance, beginning of period	-	-
Granted	259,950	-
Balance, end of period	259,950	-

  

Vesting Date	Nine Months Ended September 30	
	2009	2008
2012	259,950	-
Total	259,950	-

## Share Appreciation Rights (SARs)

ProEx had a Share Appreciation Rights (SARs) plan that allowed for the issuance of SARs to certain employees, which entitle the holder to receive a cash payment equal to the difference between the stated exercise price and the market price of common shares on the date of surrender. SARs vest equally over a three year period. The exercise price was based on the market price at the time of grant. At September 30, 2009, 85,000 (2008 – nil) SARs were outstanding at an average price of \$13.99. No compensation expense relating to the SARs has been recorded for the three and nine months ended September 30, 2009 (2008 –nil).

## Long Term Incentive Component of the Trust

Awards granted under the LTI component will vest over three years with 40 percent vesting on the second anniversary of the date of grant and 60 percent vesting on the third anniversary of the date of grant. An additional 15 percent grant will be paid if the holder holds the common shares they receive on the second anniversary date for one additional year. For the nine months ended September 30, 2009, 50,453 common shares were issued to settle LTI amounts that vested. As at September 30, 2009 104,222 common shares remain outstanding under the LTI component at an average value of approximately \$17.16 per share. The total compensation cost of the LTI component is approximately \$2.7 million of which \$2.5 million will be recognized through stock based compensation expense and \$0.2 million will be capitalized over the vesting period.

### **Long Term Incentive Component of ProEx**

ProEx participated in the Trust's LTI by granting common shares to non-executive Trust employees in their capacity as service providers. To facilitate these awards, the Trust had purchased ProEx common shares and was reimbursed by ProEx for the cost incurred. The ProEx awards granted under the LTI vest on the second anniversary date of the date of grant. As these shares have been purchased and will not be issued from treasury, the stock based compensation expense is a cash expense and the shares granted do not impact the diluted number of shares outstanding. During the three and nine months ended September 30, 2009 1,429 common shares and 147,754 common shares, respectively, were released to employees on the vesting of their ProEx LTI. As at September 30, 2009 30,370 common shares have not yet vested.

### **Performance Unit Incentive Plan**

The outstanding performance units that had been granted by the Trust vest at the end of a three year performance period at which time they will be converted to common shares, or the cash equivalent, and include the accumulated distributions of the Trust and accumulated dividends of the Company over the three year period. For new employees hired their initial grant vests 20 percent on the first anniversary date, 30 percent on the second anniversary and 50 percent on the third anniversary. The actual number of common shares paid is dependent upon a performance factor that is determined based on the Company's performance relative to its peers and ranges from 0.5 to 1.5 times the initial grant, except for performance units granted to the Trust's executives effective July 2, 2007 and 2008 which can range from 0 to 3 times. Payment may be in the form of cash or common shares, at the Company's option. Management anticipates, at the end of the performance period, accumulated distributions and dividends will be paid in cash and common shares will be paid from treasury. Actual performance factors will not be determined until the end of the three year performance periods.

On June 19, 2009, 247,685 common shares were issued to settle the performance units vesting on July 2, 2009, resulting in \$5.1 million being transferred from contributed surplus to shareholders' capital.

On January 15, 2009, 202,495 common shares were issued to settle the performance units that vested as part of the Arrangement at a performance factor of 1.5 times. As a result \$3.4 million was transferred from contributed surplus to shareholders' capital.

As at September 30, 2009, there are 717,718 performance units outstanding with 319,373 vesting on July 2, 2010, and 398,345 vesting on July 2, 2011 the amounts of which have been adjusted by 0.8125 of a common share for each Trust unit as specified in the Arrangement. The stock based compensation expense is calculated using the current estimated performance factor for each performance unit grant based on the Company's operating performance. Actual performance factors will not be determined until the end of the performance period.

For the three and nine months ended September 30, 2009, \$2.5 million and \$8.7 million, respectively was charged to stock based compensation expense (2008 – \$2.0 million and \$6.2 million) and \$0.1 million and \$0.5 million, respectively was capitalized (2008 – \$0.2 million and \$0.8 million) relating to the total performance units, stock options and shares under the LTI component outstanding.

Performance Units of the Trust <sup>1</sup>	Nine Months Ended September 30	
	2009	2008
Balance, beginning of period	1,087,247	1,127,913
Granted	-	449,922
Performance factor adjustment <sup>2</sup>	144,543	191,709
Settled <sup>2</sup>	(450,180)	(589,383)
Forfeited	(63,892)	(96,367)
Balance, end of period	717,718	1,083,794

Vesting Date		
2008	-	-
2009	-	289,088
2010 <sup>3</sup>	319,373	361,359
2011	398,345	433,347
Total	717,718	1,083,794

(4) All amounts have been adjusted to reflect the ratio of 0.8125 of a common share for each trust unit as specified in the Arrangement.

(5) As a result of the Arrangement, the performance units granted to non-executive employees, granted in 2006, vested and were settled at a performance factor of 1.5 times resulting in the issuance of 202,495 common shares. The executive portion was settled at a performance factor of 1.5 times resulting in the issuance of 231,136 common shares. The non-executive employees, who receive their initial performance unit grants at the phased in vesting, resulted in the issuance of 16,549 common shares.

(6) Using the current anticipated performance factor of 1.25 times, 85,132 additional common shares will be issued on the vesting of the 2010 performance units.

Units under LTI Component <sup>1</sup>	Nine Months Ended September 30	
	2009	2008
Balance, beginning of period	161,284	153,957
Granted	-	19,693
Settled	(50,453)	-
Forfeited	(6,609)	(16,640)
Balance, end of period	104,222	157,010

Vesting Date		
2009	3,266	55,038
2010	86,827	90,322
2011	14,129	11,650
Total <sup>2</sup>	104,222	157,010

(3) All amounts have been adjusted to reflect the ratio of 0.8125 of a common share for each trust unit as specified in the Arrangement.

(4) An additional 15 percent grant will be paid to LTI holders if a holder holds the shares they receive on the second anniversary date for one additional year. This would result in an additional 23,206 common shares issued by the Company.

The following table reconciles the Company's contributed surplus:

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Balance, beginning of period	11,836	19,225	12,959	14,468
ProEx options assumed on the Arrangement <i>(Note 1)</i>	-	-	2,708	-
Stock based compensation expense	2,538	1,971	8,389	6,235
Stock based compensation capitalized	120	119	531	612
Settlements	(249)	(10,681)	(10,342)	(10,681)
Balance, end of period	14,245	10,634	14,245	10,634

## 10. SUPPLEMENTAL CASH FLOW INFORMATION

### Changes in non-cash working capital

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Accounts receivable	10,685	12,691	42,121	2,970
Prepaid expenses and deposits	278	(1,691)	(716)	(6,368)
Accounts payable	7,571	6,133	(75,789)	2,703
Current income taxes payable	-	(30)	(5,240)	-
Change in non-cash working capital	18,534	17,103	(39,624)	(695)
Relating to:				
Investing activities	(24,469)	7,726	(36,745)	(6,063)
Financing activities	-	-	-	-
Operating activities	43,003	9,377	(2,879)	5,368

### Interest and taxes paid

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Interest paid	5,340	6,348	18,391	17,400
Income and other taxes paid	-	30	-	39

## 11. FINANCIAL INSTRUMENTS

### Fair Value of Financial Instruments

The Company's financial instruments recognized on the balance sheet consist of accounts receivable, investments, accounts payable and accrued liabilities, dividends payable, bank debt, convertible debentures and derivative natural gas and foreign exchange contracts ("financial instruments"). The fair value of these instruments, excluding the investments, convertible debentures and the derivative natural gas and foreign exchange contracts, approximate their carrying amounts due to their short terms to maturity or the indexed rate of interest on the bank debt. The fair value of the convertible debentures outstanding as at September 30, 2009 was approximately \$131.2 million (2008 - \$130.5 million).

In light of the current economic conditions, the Company continues to monitor its accounts receivable and its allowance for doubtful accounts. As at September 30, 2009 there have been no impairment issues. The Company has an allowance for doubtful accounts of approximately \$0.9 million.

On June 26, 2008 Progress disposed of its Saskatchewan properties to Seaview Energy Inc. (“Seaview”) for gross proceeds of \$28.3 million (\$26.7 million net of final closing adjustments and fees). The amount received included \$5.4 million of cash and 8,300,000 Class A common shares of Seaview valued at \$2.76 per share. The Class A common shares are included in investments on the balance sheet and have been classified as a held for trading financial instrument and, as a result, is measured at fair market value each reporting period. Based on Seaview’s closing trading price on September 30, 2009 of \$1.17 per share, a loss of \$0.2 million and gain of \$1.4 million was recognized for the three and nine months ended September 30, 2009 on the revaluation of the shares to \$9.7 million at September 30, 2009.

During 2008, Progress received 448,578 shares of Crocotta Energy Inc. (“Crocotta”) as a result of Crocotta’s acquisition of a private company in which Progress had an ownership interest. The fair value of the investment in Crocotta, classified as a held for trading investment, was \$0.6 million, resulting in a gain of \$0.1 million for both the three and nine months ended September 30, 2009.

### Commodity Price Contracts

The Company has entered into several financial instruments for the purpose of protecting its cash flow from operations before changes in non-cash working capital. For the three months ended September 30, 2009, the Company’s risk management program had a net realized gain of \$1.1 million (2008 - \$10.4 million loss). For the nine months ended September 30, 2009, the Company’s risk management program had a net realized gain of \$18.6 million (2008 - \$19.9 million loss).

At September 30, 2009 the fair value was a liability of \$0.5 million (2008 - \$12.7 million asset), resulting in an unrealized loss of \$0.8 million and \$15.1 million for the three and nine months ended September 30, 2009 (2008 - \$57.0 million and \$12.7 million unrealized gain).

The Company has entered into short-term fixed price natural gas swaps and AECO basis swaps for the 2009/2010 winter season whereby the Company swaps AECO pricing for Nymex pricing less a fixed amount. The aggregate AECO basis swap amounts total 25,000 mmbtu per day from November 1, 2009 to March 31, 2010 with an average fixed differential of US\$0.63 per mmbtu. The Company also entered into foreign currency swaps on the US dollar at an average rate of \$0.86 Canadian to United States dollars on a notional volume of 15,000 mmbtu per day from November 1, 2009 to March 31, 2010. Subsequent to September 30, 2009, the Company settled the foreign currency swaps for net proceeds of \$1.3 million.

Contracts outstanding in respect to financial instruments are as follows:

### Natural gas

Contracts	Volume	Pricing Point	Strike Price \$/gj	Term
Fixed Price Swap	25,000 gj/d	AECO	\$2.98	Oct 1/09 to Oct 31/09
Fixed Price Swap	25,000 gj/d	AECO	\$3.01	Oct 1/09 to Oct 31/09
Fixed Price Swap	5,000 gj/d	AECO	\$4.10	Nov 1/09 to Nov 30/09
Fixed Price Swap	5,000 gj/d	AECO	\$4.20	Nov 1/09 to Nov 30/09
Fixed Price Swap	10,000 gj/d	AECO	\$4.30	Nov 1/09 to Nov 30/09
Fixed Price Swap	5,000 gj/d	AECO	\$4.35	Nov 1/09 to Nov 30/09
Fixed Price Swap	5,000 gj/d	AECO	\$4.40	Nov 1/09 to Nov 30/09
Fixed Price Swap	5,000 gj/d	AECO	\$4.53	Nov 1/09 to Nov 30/09
Fixed Price Swap	5,000 gj/d	AECO	\$4.515	Nov 1/09 to Nov 30/09

<b>Contracts</b>	<b>Volume</b>	<b>Pricing Point</b>	<b>Differential</b>	<b>Term</b>
Swap – basis hedge	5,000 mmbtu/d	Nymex	(\$0.66)	Nov 01/09 to Mar 31/10
Swap – basis hedge	5,000 mmbtu/d	Nymex	(\$0.64)	Nov 01/09 to Mar 31/10
Swap – basis hedge	5,000 mmbtu/d	Nymex	(\$0.63)	Nov 01/09 to Mar 31/10
Swap – basis hedge	5,000 mmbtu/d	Nymex	(\$0.61)	Nov 01/09 to Mar 31/10
Swap – basis hedge	5,000 mmbtu/d	Nymex	(\$0.61)	Nov 01/09 to Mar 31/10

#### **Foreign currency**

<b>Contracts</b>	<b>Volume</b>	<b>Pricing Point</b>	<b>Cdn\$/US\$</b>	<b>Term</b>
Swap – FX hedge	5,000 mmbtu/d	Nymex	\$1.1500	Nov 01/09 to Mar 31/10
Swap – FX hedge	5,000 mmbtu/d	Nymex	\$1.1561	Nov 01/09 to Mar 31/10
Swap – FX hedge	5,000 mmbtu/d	Nymex	\$1.1642	Nov 01/09 to Mar 31/10

## **12. SUBSEQUENT EVENT**

On October 23, 2009 Progress issued \$200.0 million principal amount of 5.25 percent convertible unsecured subordinated debentures (the “5.25 percent debentures”). Interest on the 5.25 percent debentures is payable in equal instalments semi-annually in arrears on April 30 and October 31 in each year commencing April 30, 2010. The 5.25 percent debentures will mature on October 31, 2014. Each debenture may be converted into common shares at the option of the holder at a conversion price of \$18.00 per common share. After October 31, 2012, the Company may redeem the 5.25 percent debentures in whole or in part provided the common shares weighted average trading price during a specified period prior to redemption is at least 125 percent of the conversion price. The Company may satisfy the payment of principal or interest in common shares under certain circumstances.

## SELECTED QUARTERLY INFORMATION

### FINANCIAL HIGHLIGHTS

(\$ thousands except per share amounts)	2008				2009		
	March 31	June 30	Sept 30	Dec 31	March 31	June 30	Sept 30
<b>Income Statement</b>							
Petroleum and natural gas revenue	123,075	149,699	143,026	98,920	102,660	77,031	64,421
Cash flow <sup>1</sup>	68,115	77,955	72,144	59,768	68,767	29,956	20,596
Per share - diluted	0.74	0.84	0.73	0.65	0.46	0.18	0.12
Cash dividends declared	-	-	-	-	17,134	17,484	16,513
Per share	-	-	-	-	0.10	0.10	0.10
Cash distributions declared	29,365	29,548	32,965	29,939	-	-	-
Per unit	0.30	0.30	0.30	0.30	-	-	-
Net earnings	8,034	28,631	52,461	7,864	(4,694)	(20,915)	(26,877)
Per share - basic	0.09	0.31	0.57	0.09	(0.03)	(0.13)	(0.16)
Per share - diluted	0.09	0.31	0.53	0.09	(0.03)	(0.13)	(0.16)
<b>Balance Sheet</b>							
Exploration and development capital	41,335	17,641	52,143	47,180	97,780	12,034	32,444
Net property acquisitions (dispositions)	193	(4,193)	2,080	2,856	143	60	(402)
Total capital expenditures	41,528	13,448	54,223	50,036	97,923	12,094	32,042
Total debt	447,531	377,773	408,960	444,795	551,177	547,251	576,215
Shareholders' equity	887,206	897,756	922,309	902,882	1,798,767	1,764,050	1,723,658
<b>Common Shares</b> (thousands, except where otherwise stated)							
Shares outstanding, end of period	N/A	N/A	N/A	N/A	164,627	165,075	165,126
Weighted average shares - basic	N/A	N/A	N/A	N/A	146,743	164,749	165,120
Weighted average shares – diluted	N/A	N/A	N/A	N/A	149,479	165,328	165,666
<b>Trust Units</b>							
Units outstanding, end of period	98,016	98,784	99,785	99,819	N/A	N/A	N/A
Units issuable for exchangeable shares	13,110	12,627	12,613	12,978	N/A	N/A	N/A
Total shares outstanding and issuable for exchangeable shares, end of period	111,126	111,411	112,398	112,797	N/A	N/A	N/A
Weighted average units – diluted <sup>2</sup>	92,598	92,790	98,556	92,070	N/A	N/A	N/A
Exchange ratio, end of period	1.48845	1.52131	1.55282	1.60187	N/A	N/A	N/A
<b>Common Share Trading Statistics (\$)<sup>3</sup></b>							
High	16.97	24.20	23.05	14.38	12.45	11.72	14.02
Low	11.57	15.41	13.05	9.35	7.60	8.70	8.52
Closing	16.50	22.99	13.31	11.20	9.36	10.16	13.82
Share volume traded (thousands)	20,540	28,581	20,833	31,797	54,304	52,501	50,758

<sup>1</sup> Refer to discussion in the Management Discussion and Analysis

<sup>2</sup> Adjusted to reflect the reverse takeover as described in note 1, as if it occurred at the beginning of the period.

<sup>3</sup> The 2008 statistics represent the historical trading prices of ProEx Energy Ltd. (PXE) prior to the Arrangement.

## SELECTED QUARTERLY INFORMATION

### OPERATIONAL HIGHLIGHTS

	2008				2009		
	March 31	June 30	Sept 30	Dec 31	March 31	June 30	Sept 30
<b>Daily Production</b>							
Natural gas (mcf/d)	127,667	120,971	126,265	124,342	174,535	174,472	157,522
Crude oil (bbls/d)	2,186	1,976	2,027	1,762	2,151	2,121	1,874
Natural gas liquids (bbls/d)	2,052	1,667	1,712	1,748	1,930	2,617	1,995
Total daily production (boe/d)	25,515	23,805	24,783	24,233	33,170	33,817	30,122
<b>Average Realized Prices</b>							
Natural gas (\$/mcf)	7.96	10.21	9.12	7.14	5.52	3.62	3.10
Crude oil (\$/bbl)	89.86	117.72	114.06	57.40	44.50	56.15	69.66
Natural gas liquids (\$/bbl)	65.15	95.17	88.34	49.63	38.98	37.61	41.46
<b>Highlights (\$/boe)<sup>1</sup></b>							
Weighted average sales price <sup>1</sup>	53.01	69.10	62.73	44.37	34.39	25.03	23.25
Realized gain (loss) on financial instruments	-	(4.35)	(4.58)	3.47	5.85	-	0.41
Royalties	(11.80)	(16.44)	(14.84)	(8.52)	(5.58)	(2.41)	(2.22)
Operating expenses	(5.89)	(6.39)	(6.09)	(6.74)	(6.72)	(7.09)	(6.94)
Transportation expenses	(1.99)	(2.36)	(2.01)	(2.10)	(2.90)	(2.91)	(3.30)
Operating Netbacks	33.33	39.56	35.21	30.48	25.04	12.62	11.20
General and administrative expense	(1.36)	(1.05)	(0.97)	(1.18)	(1.18)	(1.17)	(1.15)
Unit based compensation	(0.80)	(1.11)	(0.86)	(0.94)	(1.13)	(0.92)	(0.92)
Interest and financing expenses	(2.73)	(2.74)	(2.66)	(2.48)	(2.18)	(2.01)	(2.25)
Unrealized gain (loss) on financial instruments	(10.64)	(9.04)	25.00	(1.11)	(4.89)	0.10	(0.31)
Unrealized gain (loss) on investments	-	5.38	(6.84)	(6.73)	(0.69)	1.24	(0.06)
Depletion, depreciation and accretion	(16.82)	(16.52)	(16.11)	(16.00)	(18.77)	(18.83)	(18.99)
Net earnings before taxes	0.98	14.48	32.77	2.04	(3.80)	(8.97)	(12.48)
Capital taxes	-	(0.01)	-	-	-	-	-
Future income taxes recovery (expense)	2.95	0.48	(6.78)	1.95	0.47	2.17	2.76
Current income tax	-	-	-	-	1.76	-	-
Non-controlling interest – exchangeable shares	(0.47)	(1.73)	(2.97)	(0.46)	-	-	-
Net earnings	3.46	13.22	23.02	3.53	(1.57)	(6.80)	(9.72)
<b>Drilling Results (# of Wells)</b>							
Gross	33	1	32	21	29	-	11
Net – natural gas	14.1	1	10.6	12.8	25.5	-	10.1
Net – crude oil	-	-	1.2	-	-	-	-
Success Rate (percent)	100	100	94	100	88	N/A	100%

<sup>1</sup> Includes sulphur net revenue with no associated production as no conversion exists for tons to boe.

## **CORPORATE INFORMATION**

### **DIRECTORS**

David D. Johnson  
Executive Chairman  
Progress Energy Resources Corp.  
Calgary, Alberta

Donald F. Archibald <sup>(1)(4)</sup>  
Chairman  
Iteration Energy Ltd.  
Calgary, Alberta

John A. Brussa <sup>(3)(4)</sup>  
Partner  
Burnet, Duckworth and Palmer LLP  
Calgary, Alberta

Howard J. Crone <sup>(1)(2)</sup>  
President & CEO  
Cequence Energy Ltd.  
Calgary, Alberta

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

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

Brian McLachlan <sup>(2)(3)</sup>  
President & CEO  
Yoho Resources Inc.  
Calgary, Alberta

Terrance D. Svarich <sup>(2)(4)</sup>  
President  
Devsun Ltd.  
Calgary, Alberta

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

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

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

<sup>(4)</sup> Member of Corporate Governance  
and Nominating Committee

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

### **OFFICERS**

David D. Johnson  
Executive Chairman

Michael R. Culbert  
President & CEO

Daniel C. Topolinsky  
Executive Vice President,  
Exploration and Development

Greg W. Kist  
Vice President, Investor Relations  
and Marketing

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

Gary A. Miller  
Vice President, Operations

Cindy R. Rutherford  
Vice President, Land

James L. Stannard  
Vice President, Engineering

Gary R. Bugeaud  
Secretary

### **CORPORATE OFFICE**

1200, 205 – 5th Avenue S.W.  
Calgary, Alberta T2P 2V7  
Telephone: (403) 216-2510  
Fax: (403) 216-2514

### **TRUSTEE AND TRANSFER AGENT**

Computershare Trust Company  
of Canada  
Calgary, Alberta

### **STOCK EXCHANGE**

The Toronto Stock Exchange  
trading symbols:  
Common Shares - PRQ  
6.75% Debentures – PRQ.DB  
6.25% Debentures – PRQ.DB.A  
5.25% Debentures – PRQ.DB.B

### **SOLICITOR**

Burnet, Duckworth & Palmer LLP  
Calgary, Alberta

### **AUDITOR**

KPMG LLP  
Calgary, Alberta

### **CONSULTING ENGINEERS**

GLJ Petroleum Consultants Ltd.  
Calgary, Alberta

### **INVESTOR RELATIONS**

Greg Kist  
Vice President, Investor Relations  
and Marketing  
403-539-1809  
[gkist@progressenergy.com](mailto:gkist@progressenergy.com)  
or toll free at 1-866-216-2510  
(in Canada only)  
[ir@progressenergy.com](mailto:ir@progressenergy.com)

Visit our website at  
[www.progressenergy.com](http://www.progressenergy.com)