



Progress Energy Trust's Successful Winter Drilling Program Expands Inventory

	Three Months Ended March 31	
	2006	2005 ³
FINANCIAL HIGHLIGHTS		
Income Statement (\$ thousands, except per unit amounts)		
Petroleum and natural gas revenue	90,959	79,007
Cash flow ¹	47,637	42,511
Per unit – diluted ²	0.55	0.52
Cash distributions declared	30,836	28,574
Per unit	0.42	0.42
Payout Ratio		
Excluding exchangeable shares	65%	67%
Including exchangeable shares	76%	81%
Balance Sheet (\$ thousands)		
Working capital deficiency	18,382	40,841
Bank debt	95,000	55,695
Convertible debentures	58,724	90,776
Total debt	172,106	187,312
Capital expenditures	35,984	34,380
OPERATIONAL HIGHLIGHTS		
Average Daily Production		
Natural gas (<i>mcf/d</i>)	86,433	84,523
Crude oil (<i>bbls/d</i>)	2,605	2,550
Natural gas liquids (<i>bbls/d</i>)	1,390	1,598
Total daily production (<i>boe/d</i>)	18,401	18,235
Average Realized Prices		
Natural gas - before hedging (<i>\$/mcf</i>)	8.80	7.31
Natural gas - after hedging (<i>\$/mcf</i>)	8.74	7.69
Crude oil (<i>\$/bbl</i>)	64.45	59.44
Natural gas liquids (<i>\$/bbl</i>)	62.86	47.82
Wells Drilled, Net	21.0	12.5

- (1) Cash flow is a non-GAAP term, refer to Management's Discussion and Analysis attached.
- (2) Total units outstanding include trust units plus exchangeable shares outstanding at period end. The exchangeable shares are converted at the exchange ratio at the end of the period.
- (3) Certain comparative period numbers reflect retroactive restatement due to changes in accounting policies.

Progress Energy Trust (“Progress” or “Trust”) had a very active capital program for the three months ended March 31, 2006 (the “Quarter”) drilling 39 gross wells (21.0 net) with a 93 percent success rate. New pool discoveries were made in the Deep Basin region of northwest Alberta and the Foothills region of northeast British Columbia that will expand the Trust’s inventory of drilling locations. Daily production averaged 18,401 barrels of oil equivalent (“boe”) compared to 18,235 boe in the first quarter of 2005 and 18,312 boe in the fourth quarter of 2005.

Progress generated cash flow from operations of \$47.6 million or \$0.55 per unit, diluted for the Quarter, a 12 percent increase compared to the first quarter of 2005. Cash distributions declared totaled \$30.8 million or \$0.42 per trust unit resulting in a payout ratio of 65 percent excluding exchangeable shares which do not receive cash distributions.

“Our steady production profile helped to generate strong cash flow despite weaker natural gas prices in the first quarter as compared to the fourth quarter,” said Michael Culbert, President and CEO of Progress. “Our capital investment program included drilling over 20 net wells, acquiring additional lands in our operating regions and participation in a large 3-D seismic program in the Foothills of northeast British Columbia, all with a view to continuously expand our inventory of drilling locations.”

Strong netback realization

The Trust’s average gas price realization for the Quarter was \$8.74 per thousand cubic feet (“mcf”) after hedging, 14 percent higher than the comparable quarter in 2005. On a before hedging basis, the Trust’s gas price realization was \$8.80 per mcf. Progress’ price realization achieves a premium to the prices quoted at AECO because of the high heat content nature of its gas production.

Operating expenses averaged \$5.81 per boe for the Quarter compared to \$5.69 per boe in the first quarter of 2005. Per boe operating costs, transportation, general and administrative expenses and interest expenses, key components of the Trust’s cash costs were essentially unchanged in the Quarter compared to the same period in 2005 reflecting the Trust’s ability to maintain its low cost structure because of its concentration and quality of assets.

Maintaining financial strength

Capital investment in the Quarter was \$36.0 million including \$22.4 million for drilling and completions, \$8.4 million for facilities construction and \$5.2 million for land and seismic data acquisition.

Progress’ total debt-to-12-month trailing cash flow was 0.8 times at March 31, 2006. The Trust maintains a conservative capital structure and has used hedging as a means to protect the Trust’s cash flows supporting its capital program and distributions.

Progress has hedged approximately 50 percent of its forecast natural gas production to March 31, 2007. The average net floor price is \$8.58 per gigajoule (“gj”) for the summer of 2006 and \$9.02 per gj for the winter of 2006/07. Converting to the volumetric measure of mcf used for reporting production and using the Trust’s premium corporate heat rate achieves a net price of approximately \$10.00 per mcf, before transportation charges.

Active drilling program and consistent production profile

Daily production for the Quarter averaged 18,401 boe per day, essentially unchanged compared to the first and fourth quarters of 2005. The production for the Quarter included 86.4 million cubic feet per day of natural gas and approximately 4,000 barrels of light and medium oil and natural gas liquids. The Trust has approximately 1,000 boe per day behind pipe, which includes the recently unitized Halfway ‘C’ oil pool in the Gold Creek area which is awaiting the start-up of a waterflood recovery process.

In the Quarter, the Trust participated in 39 gross wells (21.0 net) with a 93 percent success rate. In the Deep Basin of northwest Alberta, Progress drilled nine gross wells (6.8 net) resulting in seven gas wells and one oil well. Two significant multi-zone exploration discoveries were made in the Deep Basin region late in the Quarter.

First production from these wells will commence in the third quarter. The Trust currently has one rig drilling in the Gold Creek area and anticipates running one to two drilling rigs throughout the year.

In the Foothills region of northeast British Columbia, 11 gross wells (2.8 net) were drilled targeting the pervasive Halfway sand. Progress participated in two significant discoveries in the Foothills, each testing over 200 boe per day from thick gas-filled reservoirs. A development program is currently being planned for the new discoveries. Progress is participating in a deep Debolt exploration well in the Julienne area and also participated in a 280 square kilometer 3-D seismic shoot in the Sasquatch area of the Foothills region.

In Central Alberta, the Trust drilled 19 gross wells (11.4 net) in the Quarter. Four of the wells targeted the Edmonton Sand play in the Gilby area while the remaining 15 wells were CBM tests at Ewing Lake that are expected to be brought on-stream during the second quarter.

During the Quarter, the Trust added over 7,500 net acres of prospective exploratory acreage from Crown land sales.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis ("MD&A") of financial results is dated April 26, 2006 and is to be read in conjunction with the accompanying unaudited consolidated interim financial statements and related notes for the period ended March 31, 2006 and the audited consolidated financial statements and related notes and MD&A of Progress Energy Trust ("Progress" or the "Trust") for the year ended December 31, 2005. The financial data presented has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The reporting and the measurement currency is the Canadian dollar.

Non-GAAP Measurements Management uses cash flow from operations (before changes in non-cash working capital) ("cash flow") to analyze operating performance and leverage. The term distributable cash is also used to present the amount of cash that the Trust distributes to unitholders. Neither distributable cash nor cash flow presented have any standardized meaning prescribed by Canadian GAAP and therefore it may not be comparable with the calculation of similar measures for other entities. Distributable cash and cash flow as presented are not intended to represent operating profit for the period nor should they be viewed as an alternative to operating profit, net earnings or other measures of financial performance calculated in accordance with Canadian GAAP. The reconciliation between net earnings and cash flow can be found in the consolidated statements of cash flows in the unaudited interim financial statements. Distributable cash is calculated using cash flow less cash withheld for capital expenditures. The Trust considers cash flow to be a key measure as it demonstrates the Trust's ability to generate the cash necessary to pay distributions, repay debt and to fund future capital investments. Both distributable cash and cash flow are used by research analysts to value and compare oil and gas trusts and are frequently included in published research when providing investment recommendations. Cash flow per unit is calculated using the diluted weighted average number of units for the period. All references to cash flow throughout the MD&A are based on cash flow before changes in non-cash working capital.

Management uses certain industry benchmarks such as operating netback and payout ratio to analyze financial and operating performance. These benchmarks as presented do not have any standardized meaning prescribed by Canadian GAAP and therefore may not be comparable with the calculation of similar measures for other entities.

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

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

Description of Business

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

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

Relationship with ProEx Energy Ltd.

The Trust provides personnel and certain administrative and technical services to ProEx Energy Ltd. ("ProEx") in connection with the management, development, exploitation and operation of the assets of ProEx and the marketing of its production. The Trust provides these services in accordance with the technical services agreement ("Technical Services Agreement") entered into with ProEx as described below.

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

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

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

OPERATING SUMMARY

In accordance with Canadian industry practice, production volumes, reserve volumes and revenues are reported on a Trust interest basis (working interest plus royalty interest), before deduction of Crown and other royalties, unless otherwise indicated. The Trust's results of operations are dependent on production volumes of natural gas,

crude oil and natural gas liquids and the prices received for this production. Prices for these commodities have shown significant volatility during recent years and are determined by supply and demand factors, including weather, general economic conditions and changes in the Canadian/United States (“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 March 31		Change
	2006	2005	
Average Daily Production			
Natural gas (<i>mcf/d</i>)	86,433	84,523	2%
Crude oil (<i>bbls/d</i>)	2,605	2,550	2%
Natural gas liquids (<i>bbls/d</i>)	1,390	1,598	(13)%
Total daily production (<i>boe/d</i>)	18,401	18,235	1%
Natural gas as a % of total production	78%	77%	

For the three months ended March 31, 2006 (the “Quarter”), Progress’ production averaged 18,401 boe per day consisting of 86,433 mcf per day of natural gas, 2,605 bbls per day of crude oil and 1,390 bbls per day of natural gas liquids. Production during the Quarter was consistent with the same period in 2005 of 18,235 boe per day. The Trust’s production portfolio for the Quarter was weighted 78 percent to natural gas, 14 percent to crude oil and 8 percent to natural gas liquids.

Natural gas production of 86,433 mcf per day during the Quarter was slightly higher than the same period in 2005 of 84,523 mcf per day. Crude oil and natural gas liquids production for the Quarter of 3,995 bbls per day was slightly lower than the 4,148 bbls per day produced during same period in 2005. Overall, successful drilling in the Central Alberta region and Foothills region of northeast British Columbia exceeded natural reservoir declines and resulted in slight production growth over the same period in 2005.

During the Quarter, Progress drilled 39 gross wells (21.0 net) with a 95 percent success rate. The Trust currently has approximately 1,000 boe per day behind pipe which includes the recently unitized Halfway ‘C’ oil pool in the Gold Creek area which is awaiting the start-up of a waterflood recovery process.

Management anticipates production to average between 18,700 to 19,000 boe per day in 2006. This estimate takes into account natural reservoir declines and forecasted capital expenditures of \$100 million.

Production by Region

	Three Months Ended March 31		Change
	2006	2005	
Average Daily Production (boe/d)			
Foothills	3,712	3,195	16%
Fort St. John Plains	2,234	2,398	(7)%
Other	422	561	(25)%
Total British Columbia	6,368	6,154	3%
Deep Basin	9,037	9,251	(2)%
Central Alberta	1,704	1,590	7%
Other	912	874	4%
Total Alberta	11,653	11,715	(1)%
Saskatchewan	380	366	4%
Total daily production	18,401	18,235	1%

Pricing and Risk Management

Natural Gas Markets

Progress' realized natural gas price for the Quarter was \$8.80 per mcf, before the impact of hedging, compared to the AECO daily index average of \$7.13 per gigajoule ("gj"). The higher realization reflects the higher heat content of Progress' natural gas stream. Including the impact of hedging, the Trust realized an average of \$8.74 per mcf.

The first three months of 2006 marked some of the warmest winter weather on record in North America causing demand for natural gas to be down from historic winter levels. The result is that working gas in storage in the US and Canada are at record levels at the end of the winter withdrawal season on March 31. US natural gas in storage stands at 1.7 trillion cubic feet or 36 percent above 2005 levels and 63 percent above the five-year average. In Canada, winter-ending storage levels were 68 percent above 2005 levels and 59 percent above the five-year average.

North American natural gas markets have historically shown the ability to self correct the supply-demand imbalance over time although prices are expected to remain volatile in the coming months. Heading into the summer, the price for alternative fuel sources such as residual fuel oil and distillates will provide a relative floor for natural gas although this floor may be breached at times in the absence of any air conditioning induced demand. Weather will again play an important part in the natural gas supply-demand balance through the summer as forecasters consider the potential for elevated hurricane activity which may disrupt gas production from the Gulf of Mexico from time to time. At the time of writing, approximately 1.4 billion cubic feet per day or approximately 14 percent of Gulf of Mexico gas production remains shut-in from last summers' storms.

In the longer term, weaker gas prices, if sustained, will also have the likely impact of reducing rig activity across North America and ultimately gas completions. This would further exacerbate the challenges for production in North America which is running harder and faster to offset an already steep annual decline in natural gas production.

Oil Markets

Progress' first quarter realized prices for its liquids streams were \$64.45 per bbl for crude oil and \$62.86 per bbl for natural gas liquids.

Crude oil prices continue to strengthen as numerous supply-side factors worldwide outweigh the markets concerns about ample inventories of crude oil and refined products in North America. The US has historically been considered the bellwether for oil and product inventories but supply concerns are assessed on a global basis given the relative growth of non-OECD countries such as China. Several above ground forces including a shortage of oilfield equipment and personnel and political issues created by rising nationalism (i.e. Venezuela) will likely remain in place for some time to come and will only add further volatility.

The global oil demand picture is ever evolving with a steady rotation toward transportation fuels and non-OECD-led growth. These shifting tides are likely to underpin the demand for light sweet crude streams like WTI and weigh upon heavier grades of crude. Progress' crude oil production is made up predominately of light crude and does not include any heavy oil.

Commodity Prices

	Three Months Ended March 31		
	2006	2005	Change
Average Benchmark Prices			
Natural gas – AECO (daily) (\$/gj)	7.13	6.53	9%
Natural gas – AECO (monthly) (\$/gj)	8.79	6.34	39%
Crude oil – WTI (US\$/bbl)	63.48	49.84	27%
Crude oil – Edmonton par price (Cdn\$/bbl)	69.00	61.49	12%
Exchange rate (Cdn\$/US\$)	1.1545	1.2270	(6)%
Average Realized Prices			
Natural gas - before hedging (\$/mcf)	8.80	7.31	20%
Hedge settlements (\$/mcf)	(0.08)	0.39	(121)%
Amortization of hedge premiums (\$/mcf)	-	(0.03)	100%
Amortization of commodity sales contract (\$/mcf) ¹	0.02	0.02	-
Natural gas - after hedging (\$/mcf)	8.74	7.69	14%
Crude oil (\$/bbl)	64.45	59.44	8%
Natural gas liquids (\$/bbl)	62.86	47.82	31%

(1) Amortization of physical natural gas sales contract acquired in conjunction with the acquisition of Campion Resources Ltd. on June 3, 2002. Contract expires in 2008.

Risk Management

The Trust has entered into several natural gas financial contracts for the purpose of protecting its cash flow from the volatility of natural gas prices. For the Quarter, the Trust's natural gas price risk management program had a net loss of \$0.6 million (2005 - \$2.8 million net gain), which is included in petroleum and natural gas revenue on the statements of earnings.

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

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

Progress' commodity risk management positions are fully described in Note 10 in the unaudited interim consolidated financial statements attached. The Trust currently has natural gas instruments in place which consist of swap and call spread contracts, for the following production volumes:

	Contract Natural Gas Volumes (^{'000} gj/d)	% of Estimated Natural Gas Production
Second quarter of 2006	40.0	50
Third quarter of 2006	40.0	50
Fourth quarter of 2006	40.0	50
First quarter of 2007	40.0	50

Revenue

For the Quarter, petroleum and natural gas revenue increased 15 percent to \$91.0 million from \$79.0 million for the same period in 2005 due to increased commodity prices. Production revenue before hedging for the Quarter consisted of \$68.4 million from natural gas sales, \$15.1 million from crude oil sales and \$7.9 million from the sale of natural gas liquids.

(\$ thousands)	Three Months Ended March 31		
	2006	2005	Change
Natural gas sales	68,445	55,641	23%
Crude oil sales	15,112	13,639	11%
Natural gas liquids sales	7,864	6,879	14%
Hedge settlements	(609)	2,930	(120)%
Amortization of hedge premiums	-	(250)	-
Amortization of commodity sales contract ¹	147	168	(13)%
Petroleum and natural gas revenue	90,959	79,007	15%

(1) Amortization of physical natural gas sales contract acquired in conjunction with the acquisition of Campion Resources Ltd. on June 3, 2002. Contract expires in 2008.

(\$ thousands)	Crude Oil & NGLs		Total
	Natural Gas		
Q1 2005 Petroleum and natural gas revenue	58,489	20,518	79,007
Price variance	8,172	3,215	11,387
Production variance	1,322	(757)	565
Q1 2006 Petroleum and natural gas revenue	67,983	22,976	90,959

Royalties

Royalty expense consists of royalties paid to provincial governments, freehold landowners and overriding royalty owners, net of credits received through the Alberta royalty tax credit program. For the Quarter, royalties increased 27 percent to \$24.6 million from \$19.3 million for the same period in 2005. The Trust's average royalty rate (after removing the effects of hedging charges) for the Quarter was 26.9 percent compared to 25.4 percent in 2005. The higher royalty rate in 2006 is the result of higher commodity prices.

Management anticipates, based on current commodity prices, the average royalty rate for the remainder of 2006, before the impact of hedging will be approximately 26.0 percent of petroleum and natural gas revenue.

Operating Expenses

Operating expenses during the Quarter were \$9.6 million, consistent with the same period in 2005 of \$9.3 million. On a boe basis, operating expenses for the Quarter increased two percent to \$5.81 from \$5.69 in the same period

in 2005. Progress has experienced increased costs for well servicing, insurance, workovers and well maintenance. Through increased operating efficiencies and the addition of low operating cost per boe production, the Trust has been able to offset these increases and keep operating costs per boe flat quarter over quarter.

Management anticipates operating expense for the remainder of 2006 to be between \$5.50 to \$6.00 per boe.

Transportation Expenses

Transportation expenses were \$3.2 million for the Quarter, consistent with the same period in 2005 of \$3.1 million. On a boe basis, transportation expenses during the Quarter of \$1.91 were consistent with the same period in 2005 of \$1.89. In British Columbia, there is an infrastructure owned by Duke Energy that enables gas producers to avoid facility construction in exchange for regulated gathering, processing and transmission fees. This all-in charge is included in transportation expenses.

Operating Netbacks

Although many wells produce both crude oil and natural gas, a well is categorized as a natural gas well or an oil well based upon the higher proportion of natural gas or crude oil production. The following table summarizes the operating netbacks for natural gas and oil properties for the Quarter compared to the same period in 2005:

	Three Months Ended March 31	
	2006	2005
Natural Gas Properties (\$/mcf)		
Sales price - before hedging	8.99	7.46
Hedging settlements	(0.07)	0.36
Amortization of hedge premiums	-	(0.03)
Amortization of commodity sales contract	0.02	0.02
Royalties	(2.51)	(2.19)
Operating expenses	(0.87)	(0.79)
Transportation expenses	(0.31)	(0.32)
Operating netback – natural gas properties	5.25	4.51
Oil Properties (\$/bbl)		
Sales Price - before hedging	62.41	54.88
Royalties	(13.81)	(4.70)
Operating expenses	(9.20)	(10.53)
Transportation expenses	(2.06)	(1.86)
Operating netback – oil properties	37.34	37.79
All Properties (\$/boe)		
Sales Price – before hedging	55.20	46.41
Hedging settlements	(0.37)	1.78
Amortization of hedge premiums	-	(0.15)
Amortization of commodity sales contract	0.09	0.10
Royalties	(14.87)	(11.78)
Operating expenses	(5.81)	(5.69)
Transportation expenses	(1.91)	(1.89)
Operating netback – all properties	32.33	28.78

General and Administrative Expenses

For the Quarter, general and administrative expenses net of overhead recoveries, (“G&A”) decreased 11 percent to \$1.8 million (\$1.08 per boe) compared to \$2.0 million (\$1.22 per boe) for the same period in 2005. The decrease in G&A for the Quarter is due to higher technical service fees from ProEx as a result of its increased production.

In accordance with the Technical Services Agreement with ProEx, the Trust provides personnel and certain administrative and technical services in connection with the management, development, exploitation and operation of the assets of ProEx and the marketing of its production. The Trust provides these services to ProEx on an expense reimbursement basis, based on ProEx’s monthly capital activity and production levels relative to the combined capital activity and production levels of both the Trust and ProEx. Total expenses reimbursed by ProEx for the Quarter were \$1.1 million compared to \$0.6 million for the same period in 2005.

The Trust capitalized approximately \$0.3 million of G&A during the Quarter compared to \$0.4 million for the same period in 2005. The majority of these costs represent geological and geophysical salaries.

Management anticipates G&A expenses to average in the range of \$1.00 to \$1.20 per boe for the remainder of 2006.

Unit Based Compensation Expenses

For the Quarter, unit based compensation expenses relating to the performance unit incentive plan increased 97 percent to \$1.0 million (\$0.61 per boe) compared to \$0.5 million (\$0.31 per boe) for the same period in 2005. The increase is due to the performance units granted effective July 2, 2005. The Progress performance unit plan provides for employees and directors to be granted performance units which vest at the end of a three year performance period at which time they will be converted to trust units, or the cash equivalent, and include the accumulated distributions over the three year period. The actual number of trust units paid is dependent upon a performance factor that is determined based on the Trust’s performance relative to its peers and ranges from 0.5 to 1.5 times the initial grant. Payment may be in the form of cash or trust units, at the Trust’s option. Management anticipates, at the end of the performance period, accumulated distributions will be paid in cash and trust units will be paid from treasury. Progress’ performance unit incentive plan is fully described in note 8 in the unaudited consolidated interim financial statements attached.

Management anticipates unit based compensation expenses will average \$0.75 per boe in 2006 as an additional layer of performance units are expected to be granted in the third quarter.

Interest and Financing Expenses

Interest and financing expenses during the Quarter increased 15 percent to \$2.4 million compared to \$2.1 million for the same period in 2005. The increase is primarily due to higher average debt levels and a full quarter of Debenture interest in 2006 compared to 2005. For a further discussion of the Debentures see the “Liquidity and Capital Resources” section below.

(\$ thousands)	Three Months Ended	
	March 31	
	2006	2005
Interest on bank debt	922	757
Interest on Debentures	1,191	1,054
Amortization of Debenture issue costs	138	130
Accretion on debt portion of Debentures ¹	145	139
Total interest and financing expense	2,396	2,080

(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 three percent to \$23.6 million from \$23.1 million for the same period in 2005. The increase is due to a higher depletable base in 2006 as a result of capital spending and the accounting for exchangeable shares, whereby the conversion of exchangeable shares results in a charge to property, plant and equipment. On a boe basis, DD&A for the Quarter was \$14.27 compared to \$14.05 for the same period in 2005.

Management expects depletion, depreciation and accretion per boe for the remainder of 2006 to be approximately \$14.50 per boe.

Income and Capital Taxes

Capital taxes for the Quarter decreased 38 percent to \$0.3 million compared to \$0.5 million for the same period in 2005. The decrease is due to a lower large corporation tax rate as the tax continues to be phased out.

The provision for future income taxes for the Quarter was a recovery of \$0.9 million compared to a recovery of \$2.4 million in same period in 2005. The lower recovery for 2006 is the result of higher earnings for the Quarter compared to the same period in 2005 due to higher commodity prices. The Trust is a taxable entity under the Income Tax Act (Canada) and is taxable only on income that is not distributed or distributable to the unitholders. It is expected the Trust will not incur any cash income taxes in the future and as such the future tax liability recorded on the balance sheet will recover through future net earnings.

Non-Controlling Interest - Exchangeable Shares

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

	Three Months Ended March 31			
	2006		2005	
<i>(\$ thousands, except unit amounts)</i>	Number	Amount	Number	Amount
Exchangeable Shares				
Balance, beginning of period	11,388,751	127,205	14,533,506	141,060
Exchanged for trust units	(1,242,992)	(14,145)	(1,630,768)	(16,001)
Non-controlling interest expense		3,921		3,940
Balance, end of period	10,145,759	116,981	12,902,738	128,999

The charge to net earnings of \$3.9 million for 2006 and 2005 represents the net earnings attributable to the exchangeable shares over the period.

Net Earnings and Cash Flow

Net earnings increased 22 percent to \$21.4 million for the Quarter compared to \$17.5 million during the same period in 2005. The increase was due to increased commodity prices. Basic and diluted net earnings for the Quarter were \$0.29 per unit compared to \$0.26 per unit during the same period in 2005.

Cash flow increased 12 percent to \$47.6 million for the Quarter compared to \$42.5 million during the same period in 2005 due to higher commodity prices. Diluted cash flow for the Quarter was \$0.55 per unit compared to \$0.51 per unit during the same period in 2005.

Quarterly Financial Summary ^{1,2}

(\$ thousands, except per unit amounts)	Three Months Ended							
	Mar 31 2006	Dec 31 2005	Sept 30 2005	June 30 2005	Mar 31 2005	Dec 31 2004	Sept 30 2004	Jun 30 2004
Petroleum and natural gas revenue	90,959	114,167	93,372	83,222	79,007	76,767	68,299	38,811
Cash flow	47,637	65,785	53,215	44,466	42,511	41,344	36,355	17,833
Per unit diluted	0.55	0.77	0.63	0.53	0.51	0.50	0.45	0.49
Net earnings	21,383	29,398	25,159	16,840	17,526	18,196	15,324	4,464
Per unit basic	0.29	0.41	0.36	0.25	0.26	0.28	0.24	0.13
Per unit diluted	0.29	0.40	0.36	0.24	0.26	0.28	0.24	0.12

(1) The above amounts have been restated for the change in accounting policy related to non-controlling interest.

(2) Quarterly petroleum and natural gas revenue and cash flow increased in the first quarter of 2004 primarily due to increased production due to successful drilling in British Columbia. For the third and fourth quarters of 2004 and the first and second quarters of 2005 petroleum and natural gas revenue and cash flow increased primarily due to the Cequel acquisition and successful drilling in the British Columbia core regions, partially offset by the transfer of assets to ProEx as part of the Arrangement. Petroleum and natural gas revenue and cash flow for the third and fourth quarters of 2005 and thereafter increased due to strengthening commodity prices. Petroleum and natural gas revenue and cash flow for the first quarter of 2006 decreased as a result of lower natural gas prices.

Distributable Cash and Distributions

Management monitors the Trust's distribution payout policy with respect to forecasted net cash flow, debt levels and capital expenditures. Progress expects to distribute approximately 60 to 70 percent of its annual cash flow to unitholders and retain the remaining cash flow for capital expenditures and debt repayment. Exchangeable shares are convertible into trust units of the Trust based on the exchange ratio, which is adjusted monthly to reflect that distributions are not paid on the exchangeable shares and cash flow related to the exchangeable shares is retained by the Trust for additional capital expenditures or debt repayment. The key drivers of Progress' cash flow, as is generally the case with other energy trusts, are commodity prices and production. Since the Trust's production is heavily weighted to natural gas (78 percent in the Quarter), natural gas prices have a significant effect on its cash flow.

Distributable cash is not a measure under Canadian GAAP and there is no standard measure of distributable cash. Distributable cash, as presented, may not be comparable to similar measures presented by other trusts. Progress' initial cash distribution declared was \$0.14 per trust unit for the month of July 2004. The Trust has maintained this distribution to date.

(\$ thousands, except per unit amounts)	Three Months Ended
	March 31 2006
Cash flow	47,637
Cash withheld to fund capital expenditures	(16,801)
Cash distributions declared	30,836
Accumulated cash distributions, beginning of period	172,165
Accumulated cash distributions, end of period	203,001
Cash distributions per unit ¹	0.42
Accumulated cash distributions per unit, beginning of period	2.52
Accumulated cash distributions per unit, end of period	2.94

¹ Cash distributions per trust unit reflect the sum of the per trust unit amounts paid and declared to unitholders.

Capital Expenditures

During the Quarter, the Trust invested \$36.0 million in capital expenditures compared to \$34.4 million in the same period in 2005.

<i>(\$ thousands)</i>	Three Months Ended	
	2006	2005
Land acquisitions and retention	2,840	1,727
Geological and geophysical	2,002	1,223
Drilling and completions	22,412	20,828
Equipping and facilities	8,397	9,246
Net property acquisitions (dispositions)	298	964
Corporate assets	36	392
Total capital expenditures	35,985	34,380

During the Quarter, Progress drilled 39 gross wells (21.0 net) with a 93 percent success rate. Nine gross wells (6.8 net) were drilled in the Deep Basin region of northwest Alberta, 11 wells (2.8 net) in northeast British Columbia, four wells (3.9 net) into the Edmonton Sand play in Central Alberta and 15 CBM wells (7.5 net) also in Central Alberta.

The Trust's remaining 2006 capital investment program will continue to be directed to the three focus regions of the Deep Basin in northwest Alberta and the Fort St. John Plains and Foothills of northeast British Columbia. The total 2006 capital program is estimated to be approximately \$100.0 million with 55 to 65 net wells expected to be drilled for the year. The capital program is expected to be split approximately 65 percent to drilling and completions, 10 percent to major facilities and 25 percent to land and seismic expenditures. The Trust does not set a budget for property acquisitions.

Liquidity and Capital Resources

<i>(\$ thousands, except per unit amounts)</i>	March 31 2006	December 31 2005
Working capital deficiency	18,382	22,873
Bank debt	95,000	71,326
Convertible debentures	58,724	79,381
Total debt	172,106	173,580
Units outstanding and issuable for exchangeable shares (thousands)	86,624	84,784
Market price per unit at end of period	17.45	17.17
Market value of trust units and exchangeable shares	1,511,589	1,455,741
Cash flow (12 month trailing)	211,103	205,977
Total debt to cash flow ratio	0.82	0.84

At March 31, 2006 the Trust had \$95.0 million outstanding on its credit facilities, \$58.7 million for the debt portion of the Debentures and a working capital deficiency of \$18.4 million, totaling \$172.1 million of total debt. The Trust currently has a \$200 million extendible revolving term credit facility and a \$15 million working capital credit facility with a syndicate of banks. The facilities are available on a revolving basis for a period of at least 364 days until May 30, 2006, and such initial term out date may be extended for further 364 day periods at the request of the Trust, subject to approval by the banks. Following the term out date, the facilities will be available on a non-revolving basis for a one year term, at which time the facilities would be due and payable. The credit facilities are secured by a \$500 million fixed and floating charge debenture on the assets of the Trust and by a

guarantee and subordination provided by Progress Energy Ltd. in respect of the Trust's obligations. The \$215 million borrowing base is subject to semi-annual review by the banks.

Bank debt increased from \$71.3 million as at December 31, 2005 to \$95.0 million as at March 31, 2006 due to capital spending in the Quarter. The working capital deficiency of \$18.4 million at March 31, 2006 is lower than the December 31, 2005 deficiency of \$22.9 million, primarily due to reduced accounts payable balance partially offset by a reduction in accounts receivable due to lower natural gas prices.

At March 31, 2006 the Trust had outstanding \$63.5 million principal amount of 6.75 percent convertible unsecured subordinated debentures, the debt portion of which, net of debenture issue costs was \$58.7 million. The Debentures pay interest semi-annually and are convertible at the option of the holder at any time into fully paid trust units at a conversion price of \$15.00 per trust unit. The Debentures mature on June 30, 2010 at which time they are due and payable.

The Debentures are classified as debt net of the fair value of the conversion feature which has been classified as part of unitholders' equity and net of issue costs. At March 31, 2006 the debt portion was \$58.7 million and the equity portion was \$3.1 million. 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 within interest and financing expense on the consolidated statements of earnings.

Outstanding as at April 25, 2006 were 74.5 million trust units, 10.1 million exchangeable shares and \$61.4 million convertible debentures convertible into 4.1 million trust units.

The Trust's investing activities in the Quarter primarily consists of expenditures on its capital program. Management anticipates that the Trust will continue to have adequate liquidity to fund future working capital and forecasted capital expenditures during 2006 through a combination of cash flow and debt. Cash flow used to finance these commitments may reduce the amount of cash distributions paid to unitholders.

DISCLOSURE CONTROLS AND PROCEDURES

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

Additional Information

Additional information regarding the Trust and its business and operations, including the annual information form ("AIF") is available on the Trust's company profiles at www.sedar.com. Copies of the AIF can also be obtained by contacting the Trust at Progress Energy Trust 1400, 440 – 2nd Avenue S.W., Calgary, Alberta, Canada T2P 5E9 or by e-mail at ir@progressenergy.com. This information is also accessible on the Trust's web site at www.progressenergy.com.

OUTLOOK

Progress will continue to pursue a disciplined approach to long term sustainability on a per unit basis. Our technical approach and cost control will be primary contributors to sustained value creation for unitholders. Internally generated opportunities will be drilled at a more modest pace than when we were an aggressive growth company. Our inventory of drilling locations currently supports approximately 2 years of activity for Progress while our over 500,000 net acres of undeveloped land provides the opportunity for our technical team to create incremental value.

In creating our Trust, we ensured that we would have access to strong technical and financial staff by having all employees invest in Progress. This creates strong alignment with our unitholders and ensures that we have the professionals to execute our business plan. Employees, Management and Directors hold a 13 percent direct ownership interest in our Trust.

On behalf of the Board of Directors,

(Signed) "Michael R. Culbert"

Michael R. Culbert
President & CEO
April 26, 2006

PROGRESS ENERGY TRUST

CONSOLIDATED BALANCE SHEETS

<i>(\$ thousands)</i>	March 31 2006	December 31 2005
<i>(Unaudited)</i>		
ASSETS		
Current		
Cash and short-term investments	3,554	-
Accounts receivable	34,407	45,870
Prepaid expenses and deposits	4,991	5,144
	42,952	51,014
Property, plant and equipment <i>(Note 3)</i>	712,084	687,316
Goodwill	414,655	414,655
	1,169,691	1,152,985
LIABILITIES		
Current		
Accounts payable and accrued liabilities	45,995	58,904
Cash distributions payable	10,404	9,982
Current income taxes payable	4,935	5,001
	61,334	73,887
Bank debt <i>(Note 4)</i>	95,000	71,326
Convertible debentures <i>(Note 5)</i>	58,724	79,381
Commodity sales contract <i>(Note 10)</i>	1,299	1,446
Asset retirement obligations <i>(Note 6)</i>	21,824	20,906
Future income taxes	126,576	124,186
	364,757	371,132
NON-CONTROLLING INTEREST		
Exchangeable shares <i>(Notes 2 and 7)</i>	116,981	127,205
UNITHOLDERS' EQUITY		
Unitholders' capital <i>(Note 8)</i>	723,974	681,263
Convertible debentures <i>(Note 5)</i>	3,137	4,261
Contributed surplus <i>(Note 8)</i>	4,701	3,530
Deficit	(43,859)	(34,406)
	687,953	654,648
	1,169,691	1,152,985

See accompanying notes to the consolidated financial statements

PROGRESS ENERGY TRUST
CONSOLIDATED STATEMENTS OF EARNINGS AND DEFICIT
(Unaudited)

	Three Months Ended March 31	
<i>(\$ thousands, except per unit amounts)</i>	2006	2005 <i>(Restated Note 2)</i>
REVENUE		
Petroleum and natural gas	90,959	79,007
Royalties	(24,619)	(19,337)
	66,340	59,670
EXPENSES		
Operating	9,628	9,330
Transportation	3,161	3,095
General and administrative	1,789	2,010
Unit based compensation	1,007	512
Interest and financing	2,396	2,080
Depletion, depreciation and accretion	23,643	23,065
	41,623	40,092
Earnings before taxes and non-controlling interest	24,717	19,578
TAXES		
Capital taxes	339	543
Future income taxes	(926)	(2,431)
	(587)	(1,888)
Net earnings before non-controlling interest	25,304	21,466
Non-controlling interest – exchangeable shares <i>(Note 7)</i>	(3,921)	(3,940)
NET EARNINGS	21,383	17,526
Deficit, beginning of period	(34,406)	1,476
Retroactive application of change in accounting policy <i>(Note 2)</i>	-	(8,346)
Deficit, beginning of period, as restated	(34,406)	(6,870)
Distributions	(30,836)	(28,574)
Deficit, end of period	(43,859)	(17,918)
NET EARNINGS PER UNIT <i>(Note 8)</i>		
Basic	\$0.29	\$0.26
Diluted	\$0.29	\$0.26

See accompanying notes to the consolidated financial statements

PROGRESS ENERGY TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended March 31	
<i>(\$ thousands)</i>	2006	2005 <i>(Restated Note 2)</i>
OPERATING ACTIVITIES		
Net earnings	21,383	17,526
Depletion, depreciation and accretion	23,643	23,065
Non-controlling interest – exchangeable shares <i>(Note 7)</i>	3,921	3,940
Convertible debentures accretion <i>(Note 5)</i>	145	139
Amortization of convertible debenture issue costs <i>(Note 5)</i>	138	130
Amortization of commodity sales contract	(147)	(168)
Unit based compensation expense <i>(Note 8)</i>	1,007	512
Asset retirement expenditures <i>(Note 6)</i>	(1,527)	(202)
Future income taxes	(926)	(2,431)
	47,637	42,511
Changes in non-cash working capital <i>(Note 9)</i>	2,698	1,716
	50,335	44,227
FINANCING ACTIVITIES		
Increase (decrease) in bank debt	23,674	(78,026)
Issue of 6.75 % convertible debentures <i>(Note 5)</i>	-	100,000
Convertible debenture issue costs <i>(Note 5)</i>	-	(4,549)
Cash distributions	(30,414)	(28,328)
Changes in non-cash working capital <i>(Note 9)</i>	-	-
	(6,740)	(10,903)
INVESTING ACTIVITIES		
Capital expenditures	(35,984)	(34,380)
Changes in non-cash working capital <i>(Note 9)</i>	(4,057)	1,056
	(40,041)	(33,324)
CHANGE IN CASH AND SHORT-TERM INVESTMENTS	3,554	-
Cash and short-term investments, beginning of period	-	-
CASH AND SHORT-TERM INVESTMENTS, END OF PERIOD	3,554	-

See accompanying notes to the consolidated financial statements

PROGRESS ENERGY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Progress Energy Trust (“Progress” or the “Trust”) is an open-ended, unincorporated investment trust governed by the laws of the province of Alberta. The principal undertaking of the Trust is to indirectly explore for, develop and hold interests in petroleum and natural gas properties through investments in securities of subsidiaries and royalty interests in petroleum and natural gas properties. Progress Energy Ltd. carries on the business of the Trust and directly owns the petroleum and natural gas properties and assets related thereto. The Trust owns, directly and indirectly, 100 percent of the common shares (excluding the exchangeable shares – see notes 2 and 7) of Progress Energy Ltd. The activities of Progress Energy Ltd. are financed through interest bearing notes from the Trust and third party debt. The convertible debentures are direct obligations of the Trust. Under the Trust Indenture, the Trust may declare payable to unitholders all or any part of the income of the Trust, which is primarily comprised of interest earned on debt notes issued to Progress Energy Ltd., as well as, amounts attributed to a net profits interest (“NPI”) agreement entered into with Progress Energy Ltd. The aggregate amounts received by the Trust each period are based on the consolidated cash flow from operations before changes in non-cash working capital each period, as adjusted on a discretionary basis, for cash withheld to fund capital expenditures.

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

Relationship with ProEx Energy Ltd.

A technical services agreement (“Technical Service Agreement”) is currently in place between the Trust and ProEx Energy Ltd. (“ProEx”) whereby the Trust provides personnel and certain administrative and technical services in connection with the management, development, exploitation and operation of the assets of ProEx and the marketing of its production. ProEx has granted performance shares to the employees of Progress as service providers. The Trust provides these services to ProEx on an expense reimbursement basis, based on ProEx’s monthly capital activity and production levels relative to the combined capital activity and production levels of both the Trust and ProEx. Total expense reimbursed by ProEx for the three months ended March 31, 2006 was \$1.1 million (2005 – \$0.6 million).

As at March 31, 2006, accounts payable included \$0.2 million (2005 – \$6.7 million) payable to ProEx which includes standard joint venture amounts including revenue. These amounts were paid subsequent to March 31, 2006.

1. SUMMARY OF ACCOUNTING POLICIES

The interim consolidated financial statements of the Trust have been prepared following the same accounting policies and methods of computation as the consolidated financial statements of the Trust for the year ended December 31, 2005. The disclosures provided below are incremental to those included with the annual consolidated financial statements and certain disclosures, which are normally required to be included in the notes to the annual consolidated financial statements, have been condensed or omitted. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Trust's annual report for the year ended December 31, 2005.

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

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

2. CHANGE IN ACCOUNTING POLICY

Exchangeable Securities – Non-Controlling Interest

On March 8, 2005 the accounting abstract "Exchangeable Securities Issued by Subsidiaries of Income Trusts" was amended effective for financial statements issued on or after June 30, 2005. Under the amended abstract, exchangeable shares are presented as equity of the Trust only if the exchangeable shares are entitled to receive distributions of earnings economically equivalent to distributions received by units of the trust and the holders of exchangeable shares can only dispose of them by exchanging them for trust units. The exchangeable shares of the Trust's subsidiary trade on the Toronto Stock Exchange, thereby allowing holders of the exchangeable shares to dispose of them without having to exchange them for trust units and consequently, they must be classified as non-controlling interest outside of unitholders' equity.

In accordance with the transitional provisions of the abstract, the Trust has retroactively restated prior periods dating back to July 2, 2004, the date of the Plan of Arrangement under which the Trust was created. Each redemption of exchangeable shares held by previous Progress Energy Ltd. shareholders are accounted for as a step-purchase resulting in an increase to property, plant and equipment, an increase to unitholders' capital and an increase in the Trust's future income tax liability. Cash flow was not impacted by this change. The non-controlling interest activity for the three months ended March 31, 2006 and 2005 is disclosed in note 7. The effect of the adoption on the previously reported amounts for the three months ended March 31, 2005 is presented below as increases (decreases):

Statement of Earnings	Three Months Ended March 31, 2005
Depletion, depreciation and accretion	804
Future income taxes	(277)
Non-controlling interest	3,940
Net earnings	(4,467)
Net earnings per unit	
Basic	(0.01)
Diluted	(0.01)

3. PROPERTY, PLANT AND EQUIPMENT

	March 31 2006	December 31 2005
Property, plant and equipment	903,347	865,173
Conversion of exchangeable shares	42,371	32,553
Accumulated depletion and depreciation	(233,634)	(210,410)
Property, plant and equipment, net	712,084	687,316

As described in note 2, the redemption of exchangeable shares held by previous Progress Energy Ltd. shareholders are accounted for as a step-purchase. Consequently a charge of \$9.8 million was made to property, plant and equipment for the three months ended March 31, 2006.

The calculation of 2005 depletion and depreciation expense included an estimated \$19.4 million for future development costs associated with proved undeveloped reserves and excluded \$24.0 million for the estimated future net realizable value of production equipment and facilities and \$65.7 million for the estimated value of unproven properties. Depletion and depreciation expense for the three months ended March 31, 2006 was \$23.2 million (2005 - \$22.7 million).

Included in the Trust's property, plant and equipment balance is \$14.1 million, net of accumulated depletion, related to asset retirement obligations (\$20.7 million before accumulated depletion) (Refer to note 6).

The Trust capitalized approximately \$0.6 million of geological and geophysical compensation costs associated with the exploration and development of capital assets during the three months ended March 31, 2006 (2005 - \$0.4 million).

4. BANK DEBT

	March 31 2006	December 31 2005
Direct advances	-	1,326
Banker's acceptances	95,000	70,000
Total bank debt	95,000	71,326

The Trust's credit facilities totaling \$215 million are with a syndicate of banks consisting of a \$200 million extendible revolving term credit facility and a \$15 million working capital credit facility. The facilities are available on a revolving basis for a period of at least 364 days until May 30, 2006, and such initial term out date may be extended for further 364 day periods at the request of the Trust, subject to approval by the banks. Following the term out date, the facilities will be available on a non-revolving basis for a one year term, at which time the facilities would be due and payable. Various borrowing options are available under the facilities including prime rate based advances and banker's acceptance loans. Average cost of borrowing under these facilities for the three months ended March 31, 2006 was 4.5 percent. The credit facilities are secured by a \$500 million fixed and floating charge debenture on the assets of the Trust and by a guarantee and subordination provided by Progress in respect of the Trust's obligations. The \$215 million borrowing base is subject to semi-annual review by the banks.

5. CONVERTIBLE DEBENTURES

On February 2, 2005 the Trust issued \$100 million principal amount of 6.75 percent convertible unsecured subordinated debentures (the “Debentures”) for net proceeds of \$95.5 million. The Debentures pay interest semi-annually and are convertible at the option of the holder at any time into fully paid trust units at a conversion price of \$15.00 per trust unit. The Debentures mature on June 30, 2010 at which time they are due and payable. The Trust may elect to satisfy the interest and principal obligations of the Debentures by the issuance of Trust Units. 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 at the date of issue which has been classified as part of unitholders’ equity and net of issue costs. Issue costs will be amortized over the term of the Debentures and the debt portion will accrete up to the principal balance at maturity. The accretion, amortization of issue costs and the interest paid are expensed within interest and financing expense on the consolidated statements of earnings. If Debentures are converted to units, a portion of the value of the conversion feature under unitholders’ equity will be reclassified to unitholders’ capital along with the conversion price paid. The following table sets forth a reconciliation of the Debenture activity:

	Three Months Ended March 31	
	2006	2005
Debt portion, beginning of period ⁽¹⁾	79,381	90,507
Accretion	145	139
Amortization of issue costs	138	130
Conversions to trust units	(20,940)	-
Debt portion, end of period	58,724	90,776
Equity portion, beginning of period ⁽¹⁾	4,261	4,944
Conversions to trust units	(1,124)	-
Equity portion, end of period	3,137	4,944
Total debentures, end of period	61,861	95,720

(1) The beginning of period for 2005 is February 2, 2005, the date of issue of the Debentures.

Total interest charged to earnings for the three months ended March 31, 2006 was \$1.5 million (2005 - \$1.3 million) which includes \$0.1 million of debenture accretion (2005 - \$0.1 million) and \$0.1 million of amortized issue costs (2005 - \$0.1 million).

6. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations were estimated based on the Trust's net ownership interest in all wells and facilities, the estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in future periods. The total undiscounted amount of the estimated cash flows required to settle the asset retirement obligations is approximately \$52.5 million which will be incurred over the next 42 years with the majority of costs incurred between 2009 and 2020. A credit adjusted risk-free rate of eight percent was used to calculate the fair value of the asset retirement obligations. The following reconciles the Trust's asset retirement obligations:

	Three Months Ended March 31	
	2006	2005
Balance, beginning of period	20,906	16,065
Liabilities incurred	2,024	199
Liabilities settled	(1,527)	(202)
Accretion expense	421	326
Balance, end of period	21,824	16,388

7. NON-CONTROLLING INTEREST - EXCHANGEABLE SHARES

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

	Three months ended March 31			
	2006		2005	
	Number	Amount	Number	Amount
Exchangeable Shares				(Restated Note 2)
Balance, beginning of period	11,388,751	127,205	14,533,506	141,060
Exchanged for trust units	(1,242,992)	(14,145)	(1,630,768)	(16,001)
Non-controlling interest expense		3,921		3,940
Balance, end of period	10,145,759	116,981	12,902,738	128,999

The exchangeable shares can be converted, at the option of the holder, into trust units at any time and are listed on the Toronto Stock Exchange under the symbol PGE. If the number of exchangeable shares outstanding is less than 1,600,000, the Trust can elect to redeem the exchangeable shares for trust units or an amount in cash equal to the amount determined by multiplying the exchange ratio on the last business day prior to the redemption date by the current market price of a trust unit on the last business day prior to such redemption date. The number of trust units issued upon conversion is based on the exchange ratio in effect on the date of conversion. The exchange ratio is calculated monthly based on the five day weighted average trust unit trading price preceding the monthly effective date. The exchangeable shares are not eligible for cash distributions.

Retraction of Exchangeable Shares

Exchangeable shareholders may redeem their shares at any time by delivering their share certificates to the Trustee, together with a properly completed retraction request. The retraction price will be satisfied with trust units equal to the amount determined by multiplying the exchange ratio on the last business day prior to the retraction date by the number of exchangeable shares redeemed.

Redemption of Exchangeable Shares

On July 2, 2009 the exchangeable shares will be redeemed by the Trust unless the Board of Directors of Progress Energy Ltd. elect to extend the redemption period. The exchangeable shares will be redeemed by either issuing units or payment in cash for an amount equivalent to the value of the exchangeable shares at the current exchange ratio.

8. UNITHOLDERS' CAPITAL

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

Trust Units

	Three months ended March 31			
	2006		2005	
	Number	Amount	Number	Amount
Trust Units				(Restated Note 2)
Balance, beginning of period	71,302,265	681,263	66,898,498	621,490
Exchangeable shares converted	1,498,125	20,647	1,747,755	23,411
Issued on conversion of convertible debentures	1,515,059	22,064	-	-
Balance, end of period	74,315,449	723,974	68,646,253	644,901

Redemption Right

Unitholders may redeem their trust units for cash at any time, up to a maximum value of \$250,000 in any calendar month, by delivering their unit certificates to the Trustee, together with a properly completed notice requesting redemption. The redemption amount per trust unit will be the lesser of 90 percent of the simple average closing price of the trust units on the principal market on which they are traded for the 10 day trading period after the trust units have been validly tendered for the redemption and the closing market price of the trust units on the principal market on which they are traded on the date on which they were validly tendered for redemption, or if there was no trade of the trust units on that date, the average of the last bid and ask prices of the trust units on that date.

Net Earnings Per Unit

The following table summarizes the weighted average trust units used in calculating net earnings per unit:

	Three Months Ended March 31	
	2006	2005
Weighted average trust units - basic	72,803,846	67,679,785
Trust units issuable on conversion of exchangeable shares ¹	13,382,852	14,967,938
Performance units	391,814	59,778
Weighted average trust units - diluted	86,578,512	82,707,501

(1) Calculated based on the weighted average exchangeable shares outstanding during the period at the period end exchange ratio.

An adjustment to the numerator of \$3.9 million for the three months ended March 31, 2006 (2005 - \$3.9 million) is required in the diluted earnings per unit calculation to provide for earnings attributable to non-controlling interest. Units potentially issuable on the conversion of the Debentures are anti-dilutive and are not included in the calculation of diluted weighted average units for the three months ended March 31, 2006.

Performance Unit Incentive Plan

The Trust has established a Performance Unit Incentive Plan (the "Plan") for employees and directors of the Trust or its subsidiary. The number of units reserved for issuance under the Plan shall not exceed 5 percent of the aggregate number of issued and outstanding units of the Trust and including the number of units which may be issued on the exchange of the outstanding exchangeable shares, which may be converted into trust units. Under the Plan, performance units shall be granted by the Board of Directors of Progress Energy Ltd. from time to time at its sole discretion. The performance units will vest on the third anniversary of the date of grant and actual payment will be determined based on the performance of the Trust relative to its peers. Performance factors range from 0.5 to 1.5 times the initial performance units granted. Over the three year term the performance units will attract distributions. The Trust expects to pay out the distribution portion in cash while the units earned will be issued from treasury.

The Board of Directors of Progress Energy Ltd. granted 395,267 performance units effective July 2, 2004. As a result, the fair value of the performance units granted, calculated using a performance factor of 1.0, was approximately \$5.3 million of which \$4.7 million will be amortized through unit based compensation expense and \$0.6 million will be capitalized over the vesting period with a corresponding increase to contributed surplus.

The Board of Directors of Progress Energy Ltd. granted 512,500 performance units effective July 2, 2005. The fair value of the performance units using a performance factor of 1.0 was approximately \$8.0 million of which \$6.9 million will be amortized through unit based compensation expense and \$1.1 million will be capitalized over the vesting period with a corresponding increase to contributed surplus.

For the three months ended March 31, 2006 \$1.0 million was charged to unit based compensation expense (2005 - \$0.5 million) and \$0.2 million (2005 - nil) was capitalized relating to the total performance units outstanding.

The following table reconciles the Trust's contributed surplus:

	Three Months Ended March 31	
	2006	2005
Balance, beginning of period	3,530	171
Unit based compensation expense	1,007	512
Unit based compensation capitalized	164	-
Balance, end of period	4,701	683

9. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital

	Three Months Ended March 31	
	2006	2005
Accounts receivable	11,463	4,541
Prepaid expenses and deposits	153	595
Accounts payable	(12,909)	(2,207)
Current income taxes payable	(66)	(157)
Change in non-cash working capital	(1,359)	2,772
Relating to:		
Financing activities	-	-
Investing activities	(4,057)	1,056
Operating activities	2,698	1,716

Interest and taxes paid

	Three Months Ended March 31	
	2006	2005
Interest paid	4,012	560
Income and other taxes paid	405	371

10. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The Trust's financial instruments recognized on the balance sheet consist of accounts receivable, accounts payable and accrued liabilities, bank debt and convertible debentures. The fair value of these instruments, excluding the convertible debentures, 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 March 31, 2006 was approximately \$72.8 million.

Commodity Price Contracts

The Trust has entered into several derivative natural gas financial instruments for the purpose of protecting its cash flow from operations before changes in non-cash working capital from the volatility of natural gas prices. For the three months ended March 31, 2006, the Trust's natural gas price risk management program had a net loss of \$0.6 million (2005 - \$2.8 million net gain) which is included in petroleum and natural gas revenue on the statements of earnings.

Contracts outstanding in respect to financial instruments are as follows:

Natural Gas Contracts ¹	Volume	Pricing Point	Strike Price \$/gj	Cost/ Premium	Term
Swap - call spread	5,000 gj/d	AECO	Cdn\$10.55 – Cdn\$11.55	\$0.38/gj	Apr 01/06 – Oct 31/06
Swap - call spread	5,000 gj/d	AECO	Cdn\$10.74 – Cdn\$11.74	\$0.38/gj	Apr 01/06 – Oct 31/06
Swap - call spread	5,000 gj/d	AECO	Cdn\$10.75 – Cdn\$11.75	\$0.38/gj	Apr 01/06 – Oct 31/06
Swap - call spread	5,000 gj/d	AECO	Cdn\$10.68 – Cdn\$11.68	\$0.38/gj	Apr 01/06 – Oct 31/06
Swap - call spread	5,000 gj/d	AECO	Cdn\$7.22 – Cdn\$8.22	\$0.36/gj	Apr 01/06 – Oct 31/06
Swap - call spread	10,000 gj/d	AECO	Cdn\$7.20 – Cdn\$8.20	\$0.32/gj	Apr 01/06 – Oct 31/06
Swap - call spread	5,000 gj/d	AECO	Cdn\$7.10 – Cdn\$8.10	\$0.30/gj	Apr 01/06 – Oct 31/06
Swap - call spread	10,000 gj/d	AECO	Cdn\$9.51 – Cdn\$10.51	\$0.44/gj	Nov 01/06 – Mar 31/07
Swap - call spread	10,000 gj/d	AECO	Cdn\$8.97 – Cdn\$9.97	\$0.38/gj	Nov 01/06 – Mar 31/07
Swap - call spread	10,000 gj/d	AECO	Cdn\$9.60 – Cdn\$10.60	\$0.40/gj	Nov 01/06 – Mar 31/07
Swap - call spread	10,000 gj/d	AECO	Cdn\$9.63 – Cdn\$10.63	\$0.43/gj	Nov 01/06 – Mar 31/07

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

The estimated fair value of the natural gas call spreads, that qualify for hedge accounting, was a gain of \$17.1 million as at March 31, 2006 and represents the amount the Trust would receive to terminate the contracts at March 31, 2006. These instruments have no carrying value recorded in the financial statements.

Commodity Sales Contract

The following physical gas sales contract was outstanding at March 31, 2006. This contract was acquired in conjunction with the acquisition of Campion Resources Ltd. on June 3, 2002, at which time the fair value of the contracts was a liability of \$4.1 million. This value was recorded as a liability on June 3, 2002, and is being amortized over the life of the contract. At March 31, 2006 the unamortized remaining liability was \$1.3 million.

Volume	Pricing Point	Progress Price	Term
1,000 gj/d	AECO	\$2.11/gj in 2006 escalating at 2.5% annually	Jun 1/97 – Oct 31/08

SELECTED QUARTERLY INFORMATION

FINANCIAL HIGHLIGHTS

	Three Months Ended				
	2005				2006
	March 31	June 30	Sept 30	Dec 31	March 31
<i>(\$ thousands except per unit amounts)</i>					
Income Statement					
Petroleum and natural gas revenue	79,007	83,222	93,372	114,167	90,959
Cash flow ¹	42,511	44,466	53,215	65,785	47,637
Per unit - diluted	0.52	0.53	0.64	0.77	0.55
Cash distributions declared	28,574	28,874	29,210	29,802	30,836
Per unit	0.42	0.42	0.42	0.42	0.42
Net earnings	17,527	16,840	25,159	29,398	21,383
Per unit - basic	0.27	0.25	0.36	0.41	0.29
Per unit - diluted	0.27	0.24	0.36	0.40	0.29
Payout Ratio					
Excluding exchangeable shares	67%	65%	55%	45%	65%
Including exchangeable shares	81%	79%	66%	54%	76%
Balance Sheet					
Capital Expenditures	34,380	13,559	24,492	35,227	35,984
Total debt	187,312	185,708	186,115	173,580	172,106
Unitholders' equity	632,700	623,308	635,630	654,648	687,953
Trust Units (thousands, except where otherwise stated)					
Units outstanding, end of period	68,646	68,820	69,956	71,302	74,315
Units issuable for exchangeable shares	13,992	14,281	13,601	13,482	12,309
Total units outstanding and issuable for exchangeable shares, end of period	82,638	83,101	83,557	84,784	86,624
Weighted average units – diluted ²	82,485	83,176	83,700	84,675	86,579
Exchange ratio, end of period	1.08438	1.12038	1.15421	1.18384	1.21322
Trust Unit Trading Statistics (\$)					
High	14.50	13.79	17.82	17.85	18.20
Low	12.52	11.90	13.07	14.08	14.75
Closing	13.38	13.03	17.61	17.17	17.45
Unit volume traded (thousands)	17,788	11,544	19,159	18,385	18,619
Exchangeable Shares Trading Statistics (\$)					
High	15.85	15.50	20.62	20.36	21.29
Low	13.96	13.27	15.00	16.61	18.49
Closing	14.60	14.96	19.26	20.36	20.70
Share volume traded (thousands)	1,460	290	613	52	85

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

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

SELECTED QUARTERLY INFORMATION

OPERATIONAL HIGHLIGHTS

	Three Months Ended				
	2005				2006
	March 31	June 30	Sept 30	Dec 31	March 31
Daily Production					
Natural gas (mcf/d)	84,523	79,236	80,804	85,173	86,433
Crude oil (bbls/d)	2,550	3,067	2,734	2,762	2,605
Natural gas liquids (bbls/d)	1,598	1,305	1,280	1,355	1,390
Total daily production (boe/d)	18,235	17,578	17,481	18,312	18,401
Average Realized Prices					
Natural gas - before hedging (\$/mcf)	7.31	8.12	9.33	12.18	8.80
Natural gas - after hedging (\$/mcf)	7.69	8.13	9.11	11.38	8.74
Crude oil (\$/bbl)	59.44	64.20	72.66	67.22	64.45
Natural gas liquids (\$/bbl)	47.82	56.41	62.68	63.63	62.86
Highlights (\$/boe)					
Weighted average sales price	48.14	52.02	58.06	67.77	54.92
Royalties	11.78	13.16	14.39	18.38	14.87
Operating expenses	5.69	5.72	5.70	5.66	5.81
Transportation expenses	1.89	1.98	1.95	1.89	1.91
Operating Netbacks	28.78	31.16	36.02	41.84	32.33
General and administrative expense	1.23	1.33	0.83	0.75	1.08
Unit based compensation	0.31	0.32	0.62	0.59	0.61
Interest and financing expenses	1.26	1.80	1.80	1.62	1.45
Depletion, depreciation and accretion	14.05	14.19	14.26	13.86	14.27
Net earnings before taxes	11.93	13.52	18.51	25.02	14.92
Capital taxes	0.33	0.34	0.34	0.32	0.20
Future income taxes (recovery)	(1.48)	0.55	(0.63)	3.93	(0.56)
Non-controlling interest – exchangeable shares	2.40	2.10	3.16	3.32	2.37
Net earnings	10.68	10.53	15.64	17.45	12.91
Drilling Results					
Gross	24	8	24	31	39
Net – natural gas	9.9	3.3	9.6	16.0	18.8
Net – crude oil	1.2	0.0	1.9	1.7	0.8
Success Rate (percent)	89	78	89	100	93

CORPORATE INFORMATION

DIRECTORS

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

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

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

Frederic C. Coles ⁽¹⁾⁽²⁾⁽⁴⁾⁽⁵⁾
Independent Businessman
Calgary, Alberta

Howard J. Crone ⁽²⁾⁽⁴⁾⁽⁵⁾
Independent Businessman
Calgary, Alberta

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

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

⁽¹⁾ Member of Audit Committee

⁽²⁾ Member of Reserve Committee

⁽³⁾ Member of Compensation
Committee

⁽⁴⁾ Member of Technical Services
Committee

⁽⁵⁾ Member of Corporate Governance
and Nominating Committee

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

OFFICERS

David D. Johnson
Chairman

Michael R. Culbert
President & CEO

Steven A. Allaire
Senior Vice President

Greg W. Kist
Vice President, Investor Relations
and Marketing

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

Cindy R. Rutherford
Vice President, Land

Neil H. Samis
Vice President, Production

Daniel C. Topolinsky
Vice President, Exploration

Gary R. Bugeaud
Secretary

CORPORATE OFFICE

1400, 440 – 2nd Avenue S.W.
Calgary, Alberta T2P 5E9
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:
Trust Units - PGX.UN
Exchangeable Shares – PGE
Convertible Debentures – PGX.DB

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
or toll free at 1-866-216-2150
(in Canada only)
ir@progressenergy.com

Visit our website at
www.progressenergy.com