

Progress

Q1

Progress Announces First Quarter Results

Positioning Progress for the next up cycle

	Three Months Ended March 31	
	2009	2008
FINANCIAL HIGHLIGHTS		
Income Statement (\$ thousands, except per share amounts)		
Petroleum and natural gas revenue	102,660	123,075
Cash flow ¹	68,767	68,115
Per share – diluted	0.46	0.61
Cash dividends declared ²	17,134	-
Per share	0.10	-
Cash distributions declared	-	29,365
Per unit	-	0.30
Balance Sheet (\$ thousands)		
Working capital deficiency	37,869	13,653
Bank debt	387,956	311,060
Convertible debentures	125,352	122,818
Total debt	551,177	447,531
Capital expenditures	97,923	41,528
Plan of Arrangement ³	662,659	-
OPERATIONAL HIGHLIGHTS		
Average Daily Production		
Natural gas (<i>mcfd</i>)	174,535	127,667
Crude oil (<i>bbls/d</i>)	2,151	2,186
Natural gas liquids (<i>bbls/d</i>)	1,930	2,052
Total daily production (<i>boe/d</i>)	33,170	25,515
Average Realized Prices		
Natural gas (<i>\$/mcfd</i>)	5.52	7.95
Crude oil (<i>\$/bbl</i>)	44.50	89.86
Natural gas liquids (<i>\$/bbl</i>)	38.98	65.15
Wells Drilled, Net	25.5	14.1

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

(2) Includes \$0.7 million of accumulated distributions paid on the performance units that vested as a result of the Plan of Arrangement which was completed on January 15, 2009.

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

Progress Energy Resources Corp. (“Progress” or the “Company”) announces results for the first quarter of 2009 (the “Quarter”). The Quarter was characterized by strong drilling results within a disciplined capital program to preserve balance sheet strength and position the Company for the next up cycle. “The new Progress Energy was launched in a challenging economic and commodity price environment,” said Mr. Michael Culbert, President and CEO of Progress. “We believe the depth of our asset base, our prudent approach to financial management and the strength of our technical and financial professionals has positioned the Company for success through all cycles.”

Highlights

- Completed the business combination to create Progress Energy Resources Corp. on January 15, 2009;
- Combined production for the Quarter, including ProEx Energy Ltd. (“ProEx”) production prior to the Arrangement, averaged 35,007 barrels of oil equivalent (“boe”) per day including approximately 185 million cubic feet (“mmcf”) of natural gas per day;
- Drilled 29 gross (25.5 net) wells in the first quarter with an 88 percent success rate;
- Drilled three vertical and one horizontal Montney tests in the Foothills with encouraging early results;
- Added over 65,000 net undeveloped acres of land through Crown land sales and a swap with a major Canadian independent. Progress holds over 1.1 million net undeveloped acres; and,
- Completed a \$140 million common share public offering in February 2009 which has positioned the Company’s balance sheet to be opportunistic in this environment.

Business Combination

Progress Energy Trust and ProEx completed the business combination on January 15, 2009 to create Progress Energy Resources Corp. Since the combination is treated as a reverse takeover for accounting purposes, cash flow and production exclude ProEx results for the first 14 days of the Quarter. Cash flow reported for the Quarter was \$68.8 million versus \$72.2 million including the first 14 days of January 2009 for ProEx. Reported production for the Quarter was 33,170 boe per day versus 35,007 boe per day including the first 14 days of January 2009 for ProEx.

Operating Results

The Company drilled 29 wells (25.5 net) in the Quarter with a success rate of 88 percent. Through the Quarter, Progress had up to eight drilling rigs operating, six in the Foothills and two in the Deep Basin. In the current natural gas price environment, Progress chose to not complete and tie-in several wells from the winter program. These wells will be completed and brought on stream over the third and fourth quarters of 2009.

Building on the successes achieved in the Company’s Nikanassin program in the Deep Basin and its Montney program in the Foothills, the Company added over 65,000 net undeveloped acres in the Quarter. Approximately 22,000 net undeveloped acres were added in the Deep Basin primarily targeting the Nikanassin. Another 43,000 net undeveloped acres were added in the Foothills on trend with the Company’s Montney activity. Progress currently holds over 1.1 million net undeveloped acres of land primarily in the Deep Basin of northwest Alberta and the Foothills of northeast British Columbia.

Deep Basin of Northwest Alberta

The Company continued its successful program in the Deep Basin drilling nine wells (7.9 net) in the Quarter of which eight wells (6.9 net) were drilled in the Gold Creek Project area. The Nikanassin formation was the primary or secondary zone in five of the wells which also included success in the Charlie Lake, Falher, Bluesky and Gething zones. Five of nine wells are currently on production with the other four to be brought on stream during the third and fourth quarters of 2009.

“Our Deep Basin assets continue to generate strong operating results and the economics of the area will be further enhanced by recent royalty changes,” said Mr. Daniel Topolinsky, Executive Vice President, Exploration and

Development. “We will direct a greater proportion of our remaining 2009 capital investment program to maximizing the benefit of the Alberta royalty changes.”

Progress’ Deep Basin program will benefit from the recently announced changes to the Alberta royalties. A drilling credit of \$200 per meter drilled is expected to provide up to \$500,000 per typical Deep Basin well drilled by Progress. The Company also delayed the tie-in of numerous wells drilled in the fourth and first quarters to take advantage of the five percent royalty credit that is provided for wells brought on-stream after April 1, 2009.

Facilities construction for the Quarter included the installation of an interconnect to provide area access to the Wapiti gas plant and provide the Company with added flexibility to flow gas to multiple plants that the Company has ownership in. Scheduled turnarounds and outages are planned at the Gold Creek, Karr, Cutbank and Musreau gas plants during the second quarter. In total, second quarter production is expected to be impacted by approximately 1,300 to 1,500 boe per day.

Progress has drilled two of its vertical wells down to the Montney in the Deep Basin and has placed one of the two on a long term production test. Industry activity on the Montney play is expanding in the area adjacent to Progress’ Gold Creek and Sinclair holdings. Currently large independent energy companies are in the process of drilling horizontal wells offsetting productive verticals. Progress will continue to monitor activity to determine the potential for additional Montney tests on its large Deep Basin land base.

Foothills of Northeast British Columbia

The Company drilled 18 wells (15.6 net) in the Quarter primarily targeting the Halfway and Montney formations and including three Debolt and four Cretaceous tests.

Progress again partnered with the Province of British Columbia on infrastructure development and completed the construction of approximately 8.5 kilometers of a gas gathering pipeline system in the Caribou/Green area in January 2009 to tie-in new and existing wells.

Halfway Program Update

The Company’s Halfway horizontal program was initiated with a focus in achieving five to six times the benefit for the equivalent cost of three vertical wells. The rates achieved in the Sasquatch and Bubbles wells are sufficiently encouraging to continue to develop horizontal drilling technology in the northerly portion of the Foothills landbase where topographical challenges exist. Sasquatch, the Company’s third horizontal well, commenced production at 4 mmcf per day and now has leveled off at 1.5 mmcf per day. In the Quarter, the Company’s fourth horizontal well was drilled and completed at Bubbles. The well was fracture stimulated in five intervals over a 560 meter horizontal section. It is currently producing at 1.2 mmcf per day which is approximately four times the rate of the offsetting verticals.

Progress has proved over its history that the Halfway is highly economic when drilled vertically. Progress and its predecessor companies have drilled over 200 Halfway vertical wells during the past 5-years at an average cost of \$2 million to drill, complete and tie-in with an average reserve booking of 2 billion cubic feet per well and an average initial production rate of 1.8 mmcf per day.

Montney Program Update

Progress has built a significant Montney rights land base totaling 790,000 net undeveloped acres in the Montney fairway in northeast British Columbia and northwest Alberta. Since July 2008, Progress has penetrated the Montney in 10 vertical wells including eight in British Columbia and two in Alberta. Nine of the 10 wells had primary or secondary targets other than the Montney, consistent with Progress’ program of risk mitigation. Test rates for intervals which have been fracture stimulated in the 10 vertical wells tested in excess of 100 thousand cubic feet (“mcf”) per day with rates up to 1.5 mmcf per day.

“While we are in the early stages of our Montney program, we are encouraged by the results we have achieved to date as well as the results achieved by adjacent operators,” said Mr. Culbert. “Our Montney program for the

remainder of 2009 will be directed towards proving commerciality in anticipation of an improved natural gas price environment.”

At Town, the Company drilled two vertical wells and one horizontal. The two vertical wells post frac tested in excess of one mmcf per day from the Middle Montney. Both wells are on production through the Company’s extensive area infrastructure. The horizontal well was drilled and fracture stimulated in nine intervals in the Middle Montney formation. The Company employed varying sizes of fracture stimulations and carrying agents and also individually flow tested each interval. The individual intervals tested at an average rate of 750 mcf per day each. Upon completion of the fracture stimulations the well flowed at a rate of 1.4 mmcf per day. Currently the well has been shut in for pressure build up. Additional production testing and core analysis is ongoing to determine the cause of the restricted flow.

Progress has also partnered with a large independent on its Montney exploration program in the Blair/Cameron area. One vertical well has been drilled with another two wells planned before year end.

Financial Strength

The Company generated cash flow for the Quarter of \$68.8 million or \$0.46 per share, diluted. Cash flow included strong hedging gains of \$5.85 per boe from the Company’s winter hedging program.

The Company invested exploration and development capital of \$97.8 million in the Quarter. This included \$71.3 million in drilling and completions, \$16.8 million in land and seismic, and \$9.6 million in facilities. As at March 31, 2009, the Company had approximately \$260 million available under its \$650 million revolving credit facility.

Management Appointment

Mr. Daniel Topolinsky has been appointed Executive Vice President, Exploration and Development. The appointment reflects Daniel’s strong technical and business contribution to Progress’ capital program and the success achieved at predecessor companies.

Outlook

We are optimistic about the prospects for Progress given our high quality asset base, inventory of opportunities, strong financial position, low cost structure and strength of our technical and financial professionals.

We have positioned Progress to benefit from all points in the commodity and business cycles. During periods of low natural gas prices, as we are experiencing now, we will focus on long-term resource capture to position us for the next up cycle. The maintenance of our healthy balance sheet will be important in this environment and will provide the flexibility to take advantage of unique opportunities which add long-term value for shareholders.

Our capital investment program has been adjusted from the original \$350 million which was based on a natural gas price for the year of approximately \$7.50 per gj at AECO. We will be flexible responding to changes in natural gas prices and focus on living within our means. We invested approximately \$100 million in the Quarter and expect in the current commodity price environment, to invest an additional \$75 to \$100 million to the end of 2009. The investments we are making over the remainder of 2009 will focus on proving up play concepts, such as the Montney, which we believe will have a material impact on the future value of the Company and also maximizing the benefit of the changes to the Alberta royalties. The second quarter will see minimal capital investment due to normal break-up activities, as well as the weaker natural gas price environment.

The factors that we expect to lead to a recovery in natural gas prices are beginning to unfold. Drilling activity across North America has dropped by over 50 percent since the peak in September 2008. Given the relatively high initial decline rates of wells being drilled in unconventional plays, we believe that natural gas production will fall throughout 2009 and 2010 without a recovery in drilling activity. As well, credit conditions remain tight and capital investment programs are being funded primarily from cash flows which will remain relatively weak in the near term. On the demand side, overall natural gas demand has fallen although by less than initially expected. Industrial demand remains the weakest component of overall demand but will benefit from easing economic

concerns. On balance, we expect natural gas prices will begin to strengthen in the second half of 2009 and heading into next winter.

Annual and Special Meeting of Shareholders

Progress' Annual and Special Meeting of Shareholders is scheduled for Thursday, April 30, 2009 at 3:30 p.m., Calgary time, at the Calgary Petroleum Club, 319-5th Avenue S.W. Calgary, Alberta.

Progress is a Calgary based, mid-size energy company 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, contact Greg Kist, Vice President, Investor Relations and Marketing, Progress Energy Resources Corp., at 403-539-1809 (vkist@progressenergy.com).

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis ("MD&A") of financial results is dated April 29, 2009 and is to be read in conjunction with the accompanying unaudited consolidated interim financial statements and related notes for the period ended March 31, 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 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.

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 three months ended March 31, 2009 (the "Quarter") 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 March 31, 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 \$662.7 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 \$9.5 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.

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 March 31, 2009 184,489 Progress common shares (2007 – 173,789) had been purchased for future distribution under the 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 March 31		Change
	2009	2008	
Average Daily Production			
Natural gas (<i>mcf/d</i>)	174,535	127,667	37%
Crude oil (<i>bbls/d</i>)	2,151	2,186	(2)%
Natural gas liquids (<i>bbls/d</i>)	1,930	2,052	(6)%
Total daily production (<i>boe/d</i>)	33,170	25,515	30%
Sulphur sales (<i>tons/d</i>)	69	31	123%

Progress' production for the Quarter averaged 33,170 boe per day consisting of 174,535 mcf per day of natural gas, 2,151 bbls per day of crude oil and 1,930 bbls per day of natural gas liquids. Production during the Quarter was 30 percent higher than the same period in 2008 of 25,515 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 88 percent to natural gas, six percent to crude oil and six percent to natural gas liquids.

Natural gas production increased 37 percent to 174,535 mcf per day for the Quarter compared to 127,667 mcf per day for the same period in 2008 as a result of the ProEx Acquisition. Crude oil and natural gas liquids production for the Quarter of 4,081 bbls per day was consistent with the same period in 2008 of 4,238 bbls per day.

Management expects production to average approximately 33,500 boe per day in the second quarter, which includes the impact of scheduled plant turnarounds and outages at the Gold Creek, Karr, Cutbank and Musreau gas plants during the second quarter. In total, second quarter production is expected to be negatively impacted by approximately 1,300 to 1,500 boe per day.

Production by Region

	Three Months Ended March 31		Change
	2009	2008	
Average Daily Production (boe/d)			
Foothills	15,534	6,868	126%
Fort St. John Plains	2,179	1,907	14%
Other	920	1,165	(21)%
Total British Columbia	18,633	9,940	87%
Deep Basin	12,328	13,021	(5)%
Central Alberta	1,644	1,708	(4)%
Other	565	591	(4)%
Total Alberta	14,537	15,320	(5)%
Saskatchewan	-	255	(100)%
Total daily production	33,170	25,515	30%

Excludes sulphur production

Pricing

Natural Gas Markets

Progress' realized natural gas price for the Quarter was \$5.52 per mcf (2008 - \$7.95 per mcf) compared to the AECO daily index average of \$4.66 per gigajoule ("gj") and the AECO monthly index average of \$5.34 per gj (2008 - \$7.49 per gj and \$6.76 per gj, respectively). Progress markets its natural gas at a mix of daily and monthly pricing.

Natural gas prices in North America remained relatively weak through the Quarter. Although this winter will have turned out to be one of the coldest winters in the past 10 years, the growth in shale gas supply coupled with the reduction in demand due to the economic downturn resulted in an over-supply situation through the winter.

Natural gas in storage exited this winter at near all-time highs and storage is expected to be full by late summer which is expected to place further downward pressure on natural gas prices through the shoulder seasons. There are signs however that the natural gas markets may come back into balance heading into next winter. Natural gas directed drilling activity has fallen over 50 percent since the peak in September 2008 as a result of weaker drilling economics and a lack of access to equity or debt markets for producers. As well, the wells being drilled in shale and tight gas plays have significantly higher depletion rates versus conventional wells and as such, the pullback in drilling activity is expected to result in a drop in production in the second half of 2009.

Oil Markets

Progress' realized prices for its liquids streams for the Quarter were \$44.50 per bbl (2008 - \$89.86 per bbl) for crude oil and \$38.98 per bbl (2008 - \$65.15 per bbl) for natural gas liquids.

Crude oil prices ended the Quarter near US\$50.00 per bbl, West Texas Intermediate ("WTI") after trading as low as US\$33.00 per bbl during the Quarter. Demand growth has been weak as a result of the worldwide economic downturn and inventories of crude oil remain relatively high. Recently, the economic news has been more positive with expectations for a recovery in China and the potential for increased industrial activity. Geopolitical concerns were muted in the Quarter as overall economic concerns remain the focus of the energy industry.

With a potential recovery in economic activity in late 2009 and early 2010, it is expected that the demand picture will resume a path that had historically seen an ever evolving and steady rotation toward transportation fuels and growth in under-developed economies. This is likely to underpin the resurgence of demand for light sweet crude streams like WTI. 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		
	2009	2008	Change
Average Benchmark Prices			
Natural gas – AECO (daily) (\$/gj)	4.66	7.49	(38)%
Natural gas – AECO (monthly) (\$/gj)	5.34	6.76	(21)%
Natural gas – Station #2 (daily) (\$/gj)	4.57	7.43	(38)%
Crude oil – WTI (US\$/bbl)	43.08	98.02	(56)%
Crude oil – Edmonton par price (Cdn\$/bbl)	49.68	97.22	(49)%
Exchange rate (US\$/Cdn\$)	1.2453	1.0040	24%
Average Realized Prices			
Natural gas (\$/mcf)	5.52	7.95	(31)%
Crude oil (\$/bbl)	44.50	89.86	(50)%
Natural gas liquids (\$/bbl)	38.98	65.15	(40)%
Sulphur – net (\$/ton)	84.69	222.62	(62)%

Price Risk Management

The Company, from time to time, may enter into natural gas financial contracts for the purpose of protecting its cash flow from the volatility of natural gas prices. For the Quarter, the Company's natural gas price risk management program had a net realized gain of \$17.5 million (2008 - nil).

At March 31, 2009 the fair value of the natural gas financial contracts was nil (2008 - \$24.7 million liability). The change in the fair value of the natural gas financial contracts for the Quarter was a loss of \$14.6 million (2008 - \$24.7 million loss) due to the expiration of the contracts on March 31, 2009. The change in the fair value of the natural gas contracts for the same period in 2008 was due to the strengthening of future natural gas prices. The Company currently has no natural gas financial contracts outstanding.

The Company's risk management activities are conducted pursuant to the Company's Risk Management Policy approved by the Board of Directors. Progress has historically used 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 limit the permissible structures to ensure hedging effectiveness.
- To limit hedging up to a maximum of 50 percent of budgeted annual production before royalties
- To limit hedging activity to counter-parties which provide sufficient collateral in support of payment or have investment grade credit ratings.

Revenue

For the Quarter, petroleum and natural gas revenue decreased 17 percent to \$102.7 million from \$123.1 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 \$86.7 million from natural gas sales, \$8.6 million from crude oil sales, \$6.8 million from the sale of natural gas liquids and \$0.5 million from the sale of sulphur.

<i>(\$ thousands)</i>	Three Months Ended March 31		
	2009	2008	Change
Natural gas sales	86,743	92,408	(6)%
Crude oil sales	8,617	17,875	(52)%
Natural gas liquids sales	6,771	12,164	(44)%
Sulphur sales (net)	529	628	(16)%
Petroleum and natural gas revenue	102,660	123,075	(17)%

<i>(\$ thousands)</i>	Natural Gas	Crude Oil & NGLs	Sulphur	Total
Three months ended March 31, 2008 petroleum and natural gas revenue	92,408	30,039	628	123,075
Price variance	(38,201)	(13,220)	(861)	(52,282)
Production variance	32,536	(1,431)	762	31,867
Three months ended March 31, 2009 petroleum and natural gas revenue	86,743	15,388	529	102,660

Royalties

For the Quarter, royalties decreased 39 percent to \$16.7 million from \$27.4 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 16.2 percent compared to 22.3 percent in 2008. The decrease in the royalty rate is due to the lower commodity prices.

Management anticipates based on current commodity prices and royalty regimes, the average royalty rate for 2009 will be approximately 17.5 percent of petroleum and natural gas revenue. This is lower than the previous estimate of 20.0 percent due to weakening natural gas prices.

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 is currently assessing the impact of both the

transitional royalty program and the new framework in preparation for the election that will be required in the second quarter of 2009.

On March 3, 2009 the Alberta government made a third announcement regarding royalties. This announcement provided incentives for the energy sector in response to the current global economic slowdown which included a new well incentive program which offers 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.

Operating Expenses

Operating expenses during the Quarter increased 47 percent to \$20.1 million from \$13.7 million for the same period in 2008 primarily due to the 30 percent increase in production as a result of the ProEx Acquisition. On a boe basis, operating expenses for the Quarter increased 14 percent to \$6.72 from \$5.89 in the same period in 2008 due to additional costs incurred in relation to the colder winter season experienced in 2009 as compared to 2008.

Management anticipates operating expenses for the year to average \$6.50 per boe. Operating costs in the second quarter will be negatively affected by scheduled plant turnarounds and outages and is expected to be similar to the Quarter.

Transportation Expenses

Transportation expenses for the Quarter increased 87 percent to \$8.6 million compared to \$4.6 million for the same period in 2008 as a result of the ProEx Acquisition. On a boe basis, transportation expenses for the Quarter of \$2.90 were 46 percent higher than the same period in 2008 of \$1.99 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.

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 months ended March 31, 2009 compared to the same period in 2008:

	Three Months Ended March 31	
	2009	2008
Natural Gas Properties (\$/mcf)		
Sales price	5.64	8.33
Realized gain on financial instruments	1.05	-
Royalties	(0.88)	(1.89)
Operating expenses	(1.03)	(0.87)
Transportation expenses	(0.49)	(0.33)
Operating netback – natural gas properties	4.29	5.24
Oil Properties (\$/bbl)		
Sales Price	41.85	80.74
Royalties	(9.04)	(15.80)
Operating expenses	(13.42)	(12.22)
Transportation expenses	(1.95)	(1.92)
Operating netback – oil properties	17.44	50.80
All Properties (\$/boe)		
Sales Price ¹	34.39	53.01
Realized gain on financial instruments	5.85	-
Royalties	(5.58)	(11.80)
Operating expenses	(6.72)	(5.89)
Transportation expenses	(2.90)	(1.99)
Operating netback – all properties	25.04	33.33

¹ Includes sulphur net revenue 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 11 percent to \$3.5 million compared to \$3.2 million for the same period in 2008 as a result of the ProEx Acquisition and related termination of the Technical Services Agreement. On a boe basis G&A was \$1.18 compared to \$1.36 for the same period in 2008. The decrease in the per boe amounts was due the increase in production from the ProEx Acquisition exceeding the impact of the increase in G&A expense as a result of the termination of the Technical Services Agreement.

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, prior to the termination of the Technical Services Agreement, were \$0.7 million (2008 - \$2.3 million).

The Company capitalized approximately \$0.8 million of G&A during the Quarter (2008 - \$0.3 million). The majority of these costs represent compensation related to geological and geophysical staff.

Management anticipates G&A expenses to average approximately \$1.20 per boe in 2009. This is higher than the previous estimate of \$1.00 per boe due to lower operator recoveries associated with the reduced capital program.

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. 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. During the Quarter, 4,472,500 stock options were granted to employees and executives of the Company at an exercise price of \$11.40 per share.

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.

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 on the date of hire 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.

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. As at March 31, 2009 158,069 common shares are outstanding under the LTI component at an average value of approximately \$17.18 per share, resulting in a total compensation cost of \$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 ProEx reimbursed the Trust for this expense, the total compensation expense of \$2.6 million has been included in prepaid expenses and \$2.3 million will be amortized through stock

based compensation expense and \$0.3 million will be capitalized equally over the two year vesting period. 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. As at March 31, 2009 179,484 common shares have been granted.

For the Quarter, stock based compensation expenses increased 82 percent to \$3.4 million (\$1.13 per boe) compared to \$1.9 million (\$0.80 per boe) for the same period in 2008. The increase is due to the ProEx Acquisition.

For the three months ended March 31, 2009, there were 6,127,367 stock options outstanding. This includes 4,472,500 stock options that were granted under the Stock Option Plan during the Quarter and 1,654,867 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 Quarter for the stock options, performance units of the Trust and the units under the LTI component of the Trust.

	Number of options	Weighted average exercise price
Balance, beginning of period	-	-
ProEx options assumed on the Arrangement	1,674,867	12.86
Granted	4,472,500	11.40
Forfeited	(20,000)	12.25
Exercised	-	-
Balance, end of period	6,127,367	11.80

Performance Units of the Trust ¹	Three Months Ended March 31	
	2009	2008
Balance, beginning of period	1,087,247	1,127,913
Granted	-	1,950
Performance factor adjustment ²	67,498	-
Settled ²	(202,495)	-
Forfeited	(48,669)	(46,394)
Balance, end of period	903,581	1,083,469

Vesting Date		
2008	-	384,150
2009 ³	171,320	307,978
2010 ⁴	332,491	391,341
2011	399,770	-
Total	903,581	1,083,469

- (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.
- (3) Using the current anticipated performance factor of 1.5 times, 256,980 common shares will be issued on the vesting of the 2009 performance units.
- (4) Using the current anticipated performance factor of 1.25 times, 415,614 common shares will be issued on the vesting of the 2010 performance units.

Units under LTI Component ¹	Three Months Ended March 31	
	2009	2008
Balance, beginning of period	161,284	153,957
Granted	-	7,945
Forfeited	(3,215)	(3,925)
Balance, end of period	158,069	157,977
Vesting Date		
2009	53,641	63,191
2010	90,048	94,786
2011	14,380	-
Total ²	158,069	157,977

(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 23,710 common shares issued by the Company.

Interest and Financing Expenses

Interest and financing expenses during the Quarter increased three percent to \$6.5 million compared to \$6.3 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 Quarter. This was partially offset by lower interest rates on the bank debt in the Quarter compared to the same period in 2008.

(\$ thousands)	Three Months Ended March 31	
	2009	2008
Interest on bank debt	3,777	3,588
Interest on Debentures	2,082	2,097
Amortization of Debenture issue costs	279	279
Accretion on debt portion of Debentures ¹	365	365
Total interest and financing expense	6,503	6,329
Interest and financing expense (\$/boe)	2.18	2.73
Average bank debt outstanding	412,744	303,903
Average bank debt interest rate (%)	3.7	4.8
Average bank prime lending rate (%)	2.9	5.6

(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 \$56.0 million compared to \$39.1 million for the same period in 2008. The increase was due to the ProEx Acquisition. On a boe basis, DD&A for the Quarter was \$18.77 compared to \$16.82 for the same period in 2008.

Taxes

The provision for current income taxes for the Quarter 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 recovery of \$1.4 million compared to a recovery of \$6.9 million in same period in 2008. The recovery for the Quarter is due to a pre-tax loss for Quarter due to lower revenues as a result of lower commodity prices and higher expenses as a result of the ProEx Acquisition. The higher recovery for the same period in 2008 was due to amounts distributed by the Trust exceeding pre-tax earnings.

Progress' estimated tax pool balances as at March 31, 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.

	Three months ended March 31			
	2009		2008	
	Number	Amount	Number	Amount
<i>(\$ thousands, except unit amounts)</i>				
Exchangeable Shares				
Balance, beginning of period	8,101,591	123,836	9,173,083	126,384
Exchanged for trust units	(3,640)	(56)	(364,897)	(5,036)
Exchanged for common shares	(8,097,951)	(123,780)	-	-
Non-controlling interest expense		-		1,094
Balance, end of period	-	-	8,808,186	122,442

The charge to net earnings of \$1.1 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 158 percent to a net loss of \$4.7 million compared to net earnings of \$8.0 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 were \$0.03 per share and for the same period in 2008 basic and diluted net earnings were \$0.08 per share.

Dividends

During the Quarter the Company declared a cash dividend of \$0.10 per common share payable on April 15, 2009. Progress intends to pay quarterly dividends, however these dividends are not guaranteed.

Quarterly Financial Summary ¹

	Three Months Ended							
	Mar 31 2009	Dec 31 2008	Sept 30 2008	June 30 2008	Mar 31 2008	Dec 31 2007	Sept 30 2007	June 30 2007
<i>(\$ thousands, except per share amounts)</i>								
Petroleum and natural gas revenue	102,660	98,920	143,026	149,699	123,075	99,592	88,480	108,503
Net earnings (loss)	(4,694)	7,864	52,461	28,631	8,034	9,922	11,909	31,947
Per share basic	(0.03)	0.08	0.53	0.29	0.08	0.10	0.12	0.33
Per share diluted	(0.03)	0.08	0.51	0.29	0.08	0.10	0.12	0.33

(1) Petroleum and natural gas revenue and net earnings for the third and fourth quarters of 2007 decreased due to lower natural gas prices and slightly lower production. For the first quarter of 2008, revenue and net earnings increased as a result of higher production and commodity prices. 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, 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 Quarter. On January 15, 2009, ProEx was acquired through a reverse takeover. The higher production in the Quarter as a result of the ProEx Acquisition was offset by the impact of lower commodity prices. A net loss was realized for the Quarter due to lower revenues as well as higher expenses as a result of the ProEx Acquisition.

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 first quarter of 2008 were \$29.4 million.

For the first quarter of 2008, cash flow from operating activities (after changes in non-cash working capital) of \$62.2 million exceeded cash distributions of \$29.4 million.

For the first quarter of 2008, cash distributions of \$29.4 million exceeded net earnings of \$8.0 million. Net earnings include significant non-cash charges which for the first quarter of 2008 were \$59.8 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 first quarter of 2008, cash distributions and capital spending combined totaled \$70.9 million, which was higher than the cash flow from operating activities (after changes in non-cash working capital) of \$62.2 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 \$97.9 million in capital expenditures compared to \$41.5 million in the same period in 2008.

(\$ thousands)	Three Months Ended	
	March 31	
	2009	2008
Land acquisitions and retention	15,235	761
Geological and geophysical	1,610	1,795
Drilling and completions	71,271	30,119
Equipping and facilities	9,553	8,634
Corporate assets	111	26
Exploration and development capital	97,780	41,335
Net property acquisitions (dispositions)	143	193
Total capital expenditures	97,923	41,528

During the Quarter, the Company drilled 29 gross wells (25.5 net) with an 88 percent success rate during the Quarter. The drilling activity included 9 gross wells (7.9 net) in the Deep Basin region of northwest Alberta, 18 gross wells (15.6 net) in the Foothills region of northeast British Columbia and two gross (2.0 net) in the Central Alberta region. The net wells include 22.5 gas wells and 3.0 abandoned wells.

In the Deep Basin region, the Nikanassin formation was the primary or secondary zone in five of the wells which also included success in the Charlie Lake, Falher, Bluesky and Gething zones. Five of nine wells are currently on production with the other four to be brought on stream during the third and fourth quarters of 2009. Progress' Deep Basin program will benefit from the recently announced changes to the Alberta royalties. A drilling credit of \$200 per meter drilled is expected to provide up to \$500,000 per typical Deep Basin well drilled by Progress. The Company also delayed the tie-in of numerous wells drilled in the fourth and first quarters to take advantage of the five percent royalty credit that is provided for wells brought on-stream after April 1, 2009.

In the Foothills region the Company drilled 18 wells (15.6 net) in the Quarter primarily targeting the Halfway and Montney formations and including three Debolt and four Cretaceous tests. The Company's Halfway horizontal program was initiated with a focus achieving five to six times the benefit for the equivalent of the cost of three vertical wells. The rates achieved in the Sasquatch and Bubbles wells are sufficiently encouraging to continue to develop horizontal drilling technology in the northerly portion of the Foothills landbase where topographical challenges exist. Sasquatch, the Company's third horizontal well, commenced production at 4 million cubic feet ("mmcf") per day and now has leveled off at 1.5 mmcf per day. In the Quarter, the Company's fourth horizontal was drilled and completed at Bubbles. The well was fracture stimulated in five intervals over the 560 meter horizontal section. It is currently producing at 1.2 mmcf per day which is approximately four times the rate of the offsetting verticals. At Town, the Company drilled two vertical wells and one horizontal. The two vertical wells tested in excess of one mmcf per day from the Middle Montney. Both wells are on production through the Company's extensive area infrastructure. The horizontal well was drilled and fracture stimulated in nine intervals in the Middle Montney formation. The Company employed varying sizes of fracture stimulations and carrying agents and also individually flow tested each interval. The individual intervals tested at an average rate of 750 mcf per day each. Upon completion of the fracture stimulations the well flowed at a rate of 1.4 mmcf per day. Currently the well has been shut in for pressure build up. Additional production testing and core analysis is ongoing to determine the cause of the restricted flow.

Progress has also partnered with a large independent exploration and production company on its Montney exploration program in the Blair/Cameron area. One vertical well has been drilled with another two wells planned before year end.

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 \$662.7 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 \$9.5 million. The resulting charge to property, plant and equipment on the allocation of the purchase was \$966.2 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 \$4.7 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 Quarter Progress acquired over 65,000 acres of undeveloped land through crown land sales and through property acquisitions 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 gas prices and to maintaining a strong balance sheet. In the current commodity price environment, Progress expects to invest an additional \$75 to \$100 million to the end of 2009. The investments over the remainder of 2009 will focus on proving up play concepts, such as the Montney, which the Company believes will have a material impact on the future value of the Company and also maximizing the benefit of the changes to the Alberta royalties. The second quarter will see minimal capital investment due to normal break-up activities as well as the weaker natural gas price environment.

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 March 31, 2009.

Liquidity and Capital Resources

<i>(\$ thousands, except per unit amounts)</i>	March 31 2009	December 31 2008
Working capital deficiency	37,869	20,556
Bank debt	387,956	299,531
Convertible debentures	125,353	124,708
Total debt	551,178	444,795
Shares outstanding (thousands)	164,627	112,797
Market price per share, end of period	9.36	8.95
Market value of shares	1,540,909	1,009,533

At March 31, 2009 the Company had \$388.0 million outstanding on its credit facility of \$650.0 million, as well as \$125.4 million for the debt portion of the Debentures and a working capital deficiency of \$37.9 million, resulting in \$551.2 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 Quarter 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 October 2009.

Bank debt of \$388.0 million as at March 31, 2009 was \$88.4 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 Quarter. 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 (\$133.7 million, net of issue costs of approximately \$6.8 million). The working capital deficiency increased from \$20.6 million as at December 31, 2008 to \$37.9 million as at March 31, 2009 due primarily to the increase in accounts payable and accrued liabilities as a result of capital expenditures in the Quarter, as well as the working capital assumed on the ProEx Acquisition.

As at March 31, 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 March 31, 2009 the debt portion was \$125.4 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.

Outstanding as at April 28, 2009 were 164,727,076 common shares, \$130.7 million of Debentures convertible into 6,140,296 common shares, 6,099,034 stock options, and 1,011,944 performance units and units granted under the LTI component.

Current economic conditions

Progress continued to have access to both debt and equity markets in early 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 \$133.7 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.

The Company's investing activities in the Quarter 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 the current working capital deficit and 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 has begun assessing the impact of adopting IFRS and is implementing plans for transition. The project will be 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 will be involved throughout the process to ensure the Company's policies are in accordance with these new standards.

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 still has to evaluate. An Exposure Draft was released by the International Accounting Standards Board on September 25, 2008 regarding a proposed amendment to IFRS 1, First Time Adoption of International Reporting Standards. The amendment proposes that an entity that used full cost accounting under its previous GAAP may 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.

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 Corporation 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.

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. 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. This information is also accessible on the Company's web site at www.progressenergy.com.

OUTLOOK

We are optimistic about the prospects for Progress given our high quality asset base, inventory of opportunities, strong financial position, low cost structure and strength of our technical and financial professionals.

We have positioned Progress to benefit from all points in the commodity and business cycles. During periods of low natural gas prices, as we are experiencing now, we will focus on long-term resource capture to position us for the next up cycle. The maintenance of our healthy balance sheet will be important in this environment and will provide the flexibility to take advantage of unique opportunities which add long-term value for shareholders.

Our capital investment program has been adjusted from the original \$350 million which was based on a natural gas price for the year of approximately \$7.50 per gj at AECO. We will be flexible responding to changes in gas prices and focus on living within our means. We invested approximately \$100 million in the Quarter and expect in the current commodity price environment, to invest an additional \$75 to \$100 million to the end of 2009. The investments we are making over the remainder of 2009 will focus on proving up play concepts, such as the Montney, which we believe will have a material impact on the future value of the Company and also maximizing the benefit of the changes to the Alberta royalties. The second quarter will see minimal capital investment due to normal break-up activities as well as the weaker natural gas price environment.

The factors that we expect to lead to a recovery in natural gas prices are beginning to unfold. Drilling activity across North America has dropped by over 50 percent since the peak in September 2008. Given the relatively high initial decline rates of wells being drilled in unconventional plays, we believe that natural gas production will fall throughout 2009 and 2010 without a recovery in drilling activity. As well, credit conditions remain tight and capital investment programs are being funded primarily from cash flows which will remain relatively weak in the near term. On the demand side, overall natural gas demand has fallen although by less than initially expected. Industrial demand remains the weakest component of overall demand but will benefit from easing economic concerns. On balance, we expect natural gas prices will begin to strengthen in the second half of 2009 and heading into next winter.

On behalf of the Board of Directors,

(Signed) "Michael R. Culbert"

Michael R. Culbert
President & CEO
April 29, 2009

PROGRESS ENERGY RESOURCES CORP.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

<i>(\$ thousands)</i>	March 31 2009	December 31 2008
ASSETS		
Current		
Accounts receivable	46,234	37,931
Prepaid expenses and deposits	12,809	10,323
Fair value of financial instruments <i>(Note 11)</i>	-	10,242
Investments <i>(Note 11)</i>	6,674	8,744
Future income taxes	-	2,046
	65,717	69,286
Property, plant and equipment <i>(Note 4)</i>	2,050,531	1,042,971
Future income taxes	-	34,064
Goodwill	414,655	414,655
	2,530,903	1,560,976
LIABILITIES		
Current		
Accounts payable and accrued liabilities	87,123	62,332
Cash dividends payable	16,463	-
Cash distributions payable	-	9,982
Current income taxes payable	-	5,240
Future income taxes	-	3,053
	103,586	80,607
Bank debt <i>(Note 5)</i>	387,956	299,531
Convertible debentures <i>(Note 6)</i>	125,352	124,708
Asset retirement obligations <i>(Note 7)</i>	37,195	29,412
Future income taxes	78,047	-
	732,136	534,258
NON-CONTROLLING INTEREST		
Exchangeable shares <i>(Note 8)</i>	-	123,836
SHAREHOLDERS' EQUITY		
Shareholders' capital <i>(Note 9)</i>	1,934,404	1,019,361
Convertible debentures <i>(Note 6)</i>	7,699	7,699
Contributed surplus <i>(Note 9)</i>	15,629	12,959
Deficit	(158,965)	(137,137)
	1,798,767	902,882
	2,530,903	1,560,976

See accompanying notes to the consolidated financial statements

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

	Three Months Ended March 31	
<i>(\$ thousands, except per share amounts)</i>	2009	2008
REVENUE		
Petroleum and natural gas	102,660	123,075
Royalties	(16,656)	(27,404)
	86,004	95,671
Realized gain on financial instruments <i>(Note 11)</i>	17,459	-
Unrealized loss on financial instruments <i>(Note 11)</i>	(14,584)	(24,692)
Unrealized loss on investments <i>(Note 11)</i>	(2,070)	-
	86,809	70,979
EXPENSES		
Operating	20,071	13,666
Transportation	8,645	4,616
General and administrative	3,527	3,163
Stock based compensation <i>(Note 9)</i>	3,383	1,855
Interest and financing	6,503	6,329
Depletion, depreciation and accretion	56,026	39,062
	98,155	68,691
Earnings (loss) before taxes and non-controlling interest	(11,346)	2,288
TAXES		
Capital taxes	-	10
Current income tax recovery	(5,240)	-
Future income tax recovery	(1,412)	(6,850)
	(6,652)	(6,840)
Net earnings before non-controlling interest	(4,694)	9,128
Non-controlling interest – exchangeable shares <i>(Note 8)</i>	-	(1,094)
NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS)	(4,694)	8,034
Deficit, beginning of period	(137,137)	(112,310)
Dividends/Distributions	(17,134)	(29,365)
Deficit, end of period	(158,965)	(133,641)
NET EARNINGS (LOSS) PER SHARE <i>(Note 9)</i>		
Basic	(\$0.03)	\$0.08
Diluted	(\$0.03)	\$0.08

See accompanying notes to the consolidated financial statements

PROGRESS ENERGY RESOURCES CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended March 31	
<i>(\$ thousands)</i>	2009	2008
OPERATING ACTIVITIES		
Net earnings (loss)	(4,694)	8,034
Unrealized loss on financial instruments <i>(Note 11)</i>	14,584	24,692
Unrealized loss on investments <i>(Note 11)</i>	2,070	-
Depletion, depreciation and accretion	56,026	39,062
Convertible debentures accretion <i>(Note 6)</i>	365	365
Amortization of convertible debenture issue costs <i>(Note 6)</i>	279	279
Stock based compensation expense <i>(Note 9)</i>	3,134	1,855
Asset retirement expenditures <i>(Note 7)</i>	(1,585)	(302)
Non-controlling interest – exchangeable shares <i>(Note 8)</i>	-	1,094
Amortization of commodity sales contract	-	(114)
Future income recovery	(1,412)	(6,850)
	68,767	68,115
Changes in non-cash working capital <i>(Note 10)</i>	(11,621)	(5,918)
	57,146	62,197
FINANCING ACTIVITIES		
Increase (decrease) in bank debt	(74,790)	14,470
Issue of shares <i>(Note 9)</i>	140,507	-
Cash distributions	(10,653)	(29,311)
Share issue costs <i>(Note 9)</i>	(6,796)	-
Changes in non-cash working capital <i>(Note 10)</i>	250	-
	48,518	(14,841)
INVESTING ACTIVITIES		
Plan of Arrangement <i>(Note 1)</i>	(4,738)	-
Capital expenditures	(97,923)	(41,528)
Changes in non-cash working capital <i>(Note 10)</i>	(3,003)	(5,828)
	(105,664)	(47,356)
CHANGE IN CASH AND SHORT-TERM INVESTMENTS	-	-
Cash and short-term investments, beginning of period	-	-
CASH AND SHORT-TERM INVESTMENTS, END OF PERIOD	-	-

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 three months ended March 31, 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 March 31, 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 \$662.7 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 \$9.5 million. Using the purchase method of accounting, the net assets acquired and the consideration paid were as follows:

Net Assets at Assigned Values	
Current assets	35,565
Current liabilities	(54,359)
	(18,794)
Property, plant and equipment	966,193
Bank debt	(163,215)
Future income taxes	(114,698)
Asset retirement obligations	(6,827)
	662,659
Consideration	
Common shares issued	653,203
Transaction costs	6,748
ProEx options	2,708
	662,659

As part of the Arrangement, as described in note 5, the Company obtained a \$650 million credit facility which is available on a revolving basis for 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.

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 months ended March 31, 2009 was \$0.7 million (2008 – \$2.3 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 (March 31, 2008 – 173,789) had been purchased for future distribution under the plan.

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

	March 31 2009	December 31 2008
Property, plant and equipment	2,689,918	1,627,026
Accumulated depletion and depreciation	(639,387)	(584,055)
Property, plant and equipment, net	2,050,531	1,042,971

The calculation of 2009 depletion and depreciation expense included an estimated \$191.9 million for future development costs associated with proved undeveloped reserves and excluded \$49.8 million for the estimated future net realizable value of production equipment and facilities and \$231.4 million for the estimated value of unproven properties. Depletion and depreciation expense for the three months ended March 31, 2009 was \$55.5 million (2008 - \$38.3 million).

The Company capitalized approximately \$1.1 million of geological and geophysical compensation costs associated with the exploration and development of capital assets during the three months ended March 31, 2009 (2008 - \$0.5 million).

5. BANK DEBT

	March 31 2009	December 31 2008
Direct advances	42,956	17,531
Banker's acceptances	345,000	282,000
Total bank debt	387,956	299,531

At March 31, 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 three months ended March 31, 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 current 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 three months ended March 31, 2009 was 3.7 percent (2008 - 4.8 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 October 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.

Debentures	Three Months Ended March 31					
	2009			2008		
	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	-	-	-	-	-	-
Principal, end of period	55,667	75,000	130,667	55,727	75,000	130,727
Debt portion, beginning of period	54,196	70,512	124,708	53,274	68,900	122,174
Accretion	127	238	365	127	238	365
Amortization of issue costs	117	162	279	117	162	279
Converted to Shares ¹	-	-	-	-	-	-
Debt portion, end of period	54,440	70,912	125,352	53,518	69,300	122,818
Equity portion, beginning of period	2,753	4,946	7,699	2,756	4,946	7,702
Converted to Shares	-	-	-	-	-	-
Equity portion, end of period	2,753	4,946	7,699	2,756	4,946	7,702

(1) Net of unamortized issue costs.

Total interest charged to earnings for the three months ended March 31, 2009 was \$2.7 million (2008 - \$2.7 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).

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 \$129.7 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:

	Three Months Ended March 31	
	2009	2008
Balance, beginning of period	29,412	35,012
Liabilities incurred	1,846	1,428
Liabilities settled	(1,585)	(302)
Plan of Arrangement <i>(Note 1)</i>	6,827	-
Accretion expense	695	720
Balance, end of period	37,195	36,858

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.

	Three months ended March 31			
	2009		2008	
	Number	Amount	Number	Amount
Exchangeable Shares				
Balance, beginning of period	8,101,591	123,836	9,173,083	126,384
Exchanged for trust units	(3,640)	(56)	(364,897)	(5,036)
Exchanged for common shares <i>(Note 1)</i>	(8,097,951)	(123,780)	-	-
Non-controlling interest expense		-		1,094
Balance, end of period	-	-	8,808,186	122,442

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.

	Three months ended March 31			
	2009		2008	
	Number	Amount	Number	Amount
Common Shares				
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	202,495	3,413	-	-
Issued for cash	12,950,000	140,507	-	-
Share issue costs (net of tax of \$1,908)	-	(4,888)	-	-
Balance, end of period	164,627,370	1,934,404	-	-

b) Trust Units of Progress Energy Trust

	Three months ended March 31			
	2009		2008	
	Number	Amount	Number	Amount
Trust Units				
Balance, beginning of period	99,819,172	1,019,361	97,478,808	990,946
Exchangeable shares converted	5,831	56	536,764	5,734
Exchanged for common shares <i>(Note 1)</i>	(99,825,003)	(1,019,417)	-	-
Balance, end of period	-	-	98,015,572	996,680

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 (\$133.7 million, net of issue costs of approximately \$6.8 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.

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 Quarter, 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.

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 March 31, 2009 total debt was \$551.2 million and annualized first quarter cash flow from operating activities (before changes in non-cash working capital) was \$275.2 million, resulting in a total debt to cash flow from operating activities (before changes in non-cash working capital) ratio of 2.0. This ratio is within an acceptable range for the Company. Progress' capital investment program has been adjusted downward from the original \$350 million, which was based on a natural gas price for the year of approximately \$7.50 per gigajoule at AECO. With the current commodity price environment the capital investment program for the year is expected to be \$180 to \$205 million in order to maintain a flexible capital structure.

Net Earnings Per Share

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

	Three Months Ended	
		March 31
	2009	2008 ²
Weighted average common shares - basic	146,743,164	97,764,390
Common shares issuable on conversion of exchangeable shares ¹	2,041,908	13,363,813
Performance units	693,772	1,015,580
Weighted average common shares - diluted	149,478,844	112,143,783

(1) Calculated based on the weighted average exchangeable shares outstanding during the period at the January 15, 2009 exchange ratio.

(2) Represents the weighted average trust units for the three months ended March 31, 2008. Amounts reported have not been adjusted for the Arrangement.

No adjustment was required to the numerator for the three months ended March 31, 2009 (2008 - \$1.1 million) in the diluted earnings per unit calculation to provide for earnings attributable to non-controlling interest as all exchangeable shares were converted as part of the Arrangement (refer to note 1). Shares potentially issuable on the conversion of the Debentures for the three months ended March 31, 2009 and three months ended March 31, 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 three year period. 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. During the three months ended March 31, 2009, 4,472,500 stock options were granted to employees and executives of the Company at an exercise price of \$11.40 per share.

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.

Stock options

For the three months ended March 31, 2009, there were 6,127,367 stock options outstanding. This includes 4,472,500 stock options which were granted under the Plan and 1,654,867 stock options that have continued from ProEx’s original stock option plan.

The following table summarizes the stock option activity for the three months ended March 31, 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	4,472,500	11.40
Forfeited	(20,000)	12.25
Balance, end of period	6,127,367	11.80

The following table summarizes stock options outstanding and exercisable at March 31, 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
\$5.60 to \$7.95	207,000	0.34	5.64	207,000	5.64
\$9.08 to \$13.40	4,608,500	4.59	11.43	101,499	12.46
\$13.66 to \$16.50	1,311,867	3.15	14.04	430,534	14.14
	6,127,367	4.10	11.80	739,033	11.53

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 the three months ended March 31, 2009 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	2009
Risk free interest rate (%)	1.79
Expected life (years)	4.00
Expected volatility (%)	42
Expected dividend yield (%)	3.5
Weighted average fair value of options granted (\$)	3.01

Share Appreciation Rights (SARs)

ProEx had a Share Appreciation Rights (SARs) plan that allowed for the issuance of SARs to certain employees, which entitled 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. For the three months ended March 31, 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 period ended March 31, 2009 (2008 – nil).

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 on the date of hire 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.

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. As at March 31, 2009 the equivalent of 158,069 common shares are outstanding under the LTI component at an average value of approximately \$17.18 per share, resulting in a total compensation cost of \$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 ProEx reimbursed the Trust for this expense, the total compensation expense of \$2.6 million has been included in prepaid expenses and \$2.3 million will be amortized through stock based compensation expense and \$0.3 million will be capitalized equally over the two year vesting period. 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. As at March 31, 2009 179,484 common shares have been granted.

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 March 31, 2009 there are 903,581 performance units outstanding with 171,320 vesting on July 2, 2009, 332,491 vesting on July 2, 2010 and 399,770 vesting on July 2, 2011 the amounts of which have been adjusted by the 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 Trust's operating performance. Actual performance factors will not be determined until the end of the performance period.

For the three months ended March 31, 2009 \$3.4 million was charged to stock based compensation expense (2008 – \$1.9 million) and \$0.2 million was capitalized (2008 – \$0.1 million) relating to the total performance units, stock options and shares under the LTI component outstanding.

Performance Units of the Trust ¹	Three Months Ended March 31	
	2009	2008
Balance, beginning of period	1,087,247	1,127,913
Granted	-	1,950
Performance factor adjustment ²	67,498	-
Settled ²	(202,495)	-
Forfeited	(48,669)	(46,394)
Balance, end of period	903,581	1,083,469
Vesting Date		
2008	-	384,150
2009 ³	171,320	307,978
2010 ⁴	332,491	391,341
2011	399,770	-
Total	903,581	1,083,469

(5) 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.

(6) 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.

(7) Using the current anticipated performance factor of 1.5 times, 256,980 common shares will be issued on the vesting of the 2009 performance units.

(8) Using the current anticipated performance factor of 1.25 times, 415,614 common shares will be issued on the vesting of the 2010 performance units.

Units under LTI Component ¹	Three Months Ended March 31	
	2009	2008
Balance, beginning of period	161,284	153,957
Granted	-	7,945
Forfeited	(3,215)	(3,925)
Balance, end of period	158,069	157,977

Vesting Date		
2009	53,641	63,191
2010	90,048	94,786
2011	14,380	-
Total ²	158,069	157,977

(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 23,710 common shares issued by the Company.

The following table reconciles the Company's contributed surplus:

	Three Months Ended March 31	
	2009	2008
Balance, beginning of period	12,959	14,468
ProEx options assumed on the Arrangement (<i>Note 1</i>)	2,708	-
Stock based compensation expense	3,133	1,855
Stock based compensation capitalized	242	142
Settlements	(3,413)	-
Balance, end of period	15,629	16,465

10. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital

	Three Months Ended March 31	
	2009	2008
Accounts receivable	(22,376)	(6,950)
Prepaid expenses and deposits	1,943	(4,509)
Accounts payable	29,567	(297)
Current income taxes payable	5,240	10
Change in non-cash working capital	(14,374)	(11,746)
Relating to:		
Investing activities	(3,003)	(5,828)
Financing activities	250	-
Operating activities	(11,621)	(5,918)

Interest and taxes paid

	Three Months Ended March 31	
	2009	2008
Interest paid	8,330	5,906
Income and other taxes paid	-	-

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, bank debt, and convertible debentures. The fair value of these instruments, excluding the investments and 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, 2009 was approximately \$125.9 million (2008 - \$130.2 million).

In light of the current economic conditions, the Company continues to monitor its accounts receivable and its allowance for doubtful accounts. As at March 31, 2009 there have been no impairment issues and as a result no changes have been made to the allowance for doubtful accounts.

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 March 31, 2009 of \$0.75 per share, a loss of \$2.1 million was recognized for the three months ended March 31, 2009 on the revaluation of the shares to \$6.2 million at March 31, 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 \$0.4 million, resulting in no change for the period ended March 31, 2009.

Commodity Price Contracts

The Company had 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. The natural gas financial instruments expired on March 31, 2009. For the three months ended March 31, 2009, the Company's natural gas price risk management program had a net realized gain of \$17.5 million (2008 -nil).

At March 31, 2009 the fair value was nil (2008 - \$24.7 million liability), resulting in an unrealized loss for the three months ended March 31, 2009 of \$14.6 million (2008 - \$24.7 million unrealized loss).

SELECTED QUARTERLY INFORMATION

FINANCIAL HIGHLIGHTS

(\$ thousands except per share amounts)	2008				2009
	March 31	June 30	Sept 30	Dec 31	March 31
Income Statement					
Petroleum and natural gas revenue	123,075	149,699	143,026	98,920	102,660
Cash flow ¹	68,115	77,955	72,144	59,768	68,767
Per share - diluted	0.61	0.69	0.62	0.53	0.46
Cash dividends declared	-	-	-	-	17,134
Per share	-	-	-	-	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)
Per share - basic	0.08	0.29	0.53	0.08	(0.03)
Per share - diluted	0.08	0.29	0.51	0.08	(0.03)
Balance Sheet					
Exploration and development capital	41,335	17,641	52,143	47,180	97,780
Net property acquisitions (dispositions)	193	(4,193)	2,080	2,856	143
Total capital expenditures	41,528	13,448	54,223	50,036	97,923
Total debt	447,531	377,773	408,960	444,795	551,177
Shareholders' equity	887,206	897,756	922,309	902,882	1,798,767
Common Shares (thousands, except where otherwise stated)					
Shares outstanding, end of period	N/A	N/A	N/A	N/A	164,627
Weighted average shares - basic	N/A	N/A	N/A	N/A	146,743
Weighted average shares – diluted	N/A	N/A	N/A	N/A	149,479
Trust Units					
Units outstanding, end of period	98,016	98,784	99,785	99,819	N/A
Units issuable for exchangeable shares	13,110	12,627	12,613	12,978	N/A
Total shares outstanding and issuable for exchangeable shares, end of period	111,126	111,411	112,398	112,797	N/A
Weighted average units – diluted ²	112,144	112,663	113,182	113,162	N/A
Exchange ratio, end of period	1.48845	1.52131	1.55282	1.60187	N/A
Common Share Trading Statistics (\$)³					
High	16.97	24.20	23.05	14.38	12.45
Low	11.57	15.41	13.05	9.35	7.60
Closing	16.50	22.99	13.31	11.20	9.36
Share volume traded (thousands)	20,540	28,581	20,833	31,797	54,304

¹ Refer to discussion in the Management Discussion and Analysis

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

³ 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
Daily Production					
Natural gas (mcf/d)	127,667	120,971	126,265	124,342	174,535
Crude oil (bbls/d)	2,186	1,976	2,027	1,762	2,151
Natural gas liquids (bbls/d)	2,052	1,667	1,712	1,748	1,930
Total daily production (boe/d)	25,515	23,805	24,783	24,233	33,170
Average Realized Prices					
Natural gas (\$/mcf)	7.96	10.21	9.12	7.14	5.52
Crude oil (\$/bbl)	89.86	117.72	114.06	57.40	44.50
Natural gas liquids (\$/bbl)	65.15	95.17	88.34	49.63	38.98
Highlights (\$/boe)¹					
Weighted average sales price ¹	53.01	69.10	62.73	44.37	34.39
Realized gain (loss) on financial instruments	-	(4.35)	(4.58)	3.47	5.85
Royalties	(11.80)	(16.44)	(14.84)	(8.52)	(5.58)
Operating expenses	(5.89)	(6.39)	(6.09)	(6.74)	(6.72)
Transportation expenses	(1.99)	(2.36)	(2.01)	(2.10)	(2.90)
Operating Netbacks	33.33	39.56	35.21	30.48	25.04
General and administrative expense	(1.36)	(1.05)	(0.97)	(1.18)	(1.18)
Unit based compensation	(0.80)	(1.11)	(0.86)	(0.94)	(1.13)
Interest and financing expenses	(2.73)	(2.74)	(2.66)	(2.48)	(2.18)
Unrealized gain (loss) on financial instruments	(10.64)	(9.04)	25.00	(1.11)	(4.89)
Unrealized gain (loss) on investments	-	5.38	(6.84)	(6.73)	(0.69)
Depletion, depreciation and accretion	(16.82)	(16.52)	(16.11)	(16.00)	(18.77)
Net earnings before taxes	0.98	14.48	32.77	2.04	(3.80)
Capital taxes	-	(0.01)	-	-	-
Future income taxes recovery (expense)	2.95	0.48	(6.78)	1.95	0.47
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)
Drilling Results (# of Wells)					
Gross	33	1	32	21	29
Net – natural gas	14.1	1	10.6	12.8	25.5
Net – crude oil	-	-	1.2	-	-
Success Rate (percent)	100	100	94	100	88

¹ 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 ⁽¹⁾⁽⁴⁾
Chairman
Iteration Energy Ltd.
Calgary, Alberta

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

Howard J. Crone ⁽¹⁾⁽²⁾
Independent Businessman
Calgary, Alberta

Michael R. Culbert
President & CEO
Progress Energy Resources Corp.
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Gary E. Perron ⁽¹⁾⁽³⁾
Senior Vice President and
Managing Director
BMO Nesbitt Burns
Calgary, Alberta

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

Terrance D. Svarich ⁽²⁾⁽⁴⁾
President
Devsun Ltd.
Calgary, Alberta

⁽¹⁾ Member of Audit Committee

⁽²⁾ Member of Reserve Committee

⁽³⁾ Member of Compensation
Committee

⁽⁴⁾ Member of Corporate Governance
and Nominating Committee

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

OFFICERS

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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

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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

SOLICITOR

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AUDITOR

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