



Progress Energy's Q3 Production and Cash Flow Rise

Continued balance sheet strength

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
FINANCIAL HIGHLIGHTS				
Income Statement (\$ thousands, except per unit amounts)				
Petroleum and natural gas revenue	143,026	88,480	415,800	282,460
Cash flow ¹	72,144	48,085	218,214	159,563
Per unit – diluted ²	0.62	0.43	1.93	1.54
Cash distributions declared ³	32,965	30,987	91,878	84,910
Per unit	0.30	0.30	0.90	0.90
Payout Ratio				
Excluding exchangeable shares	46%	64%	42%	53%
Including exchangeable shares	51%	73%	48%	61%
Balance Sheet (\$ thousands)				
Working capital deficiency	4,985	26,968	4,985	26,968
Bank debt	279,918	269,182	279,918	269,182
Convertible debentures	124,057	121,528	124,057	121,528
Total debt	408,960	417,678	408,960	417,678
Capital expenditures ³	54,223	23,433	109,199	122,868
Corporate Acquisition ⁴	-	-	-	389,363
OPERATIONAL HIGHLIGHTS				
Average Daily Production				
Natural gas (<i>mcf/d</i>)	126,265	120,804	124,972	114,234
Crude oil (<i>bbls/d</i>)	2,027	2,268	2,063	2,174
Natural gas liquids (<i>bbls/d</i>)	1,712	1,370	1,810	1,411
Total daily production (<i>boe/d</i>)	24,783	23,772	24,702	22,624
Average Realized Prices				
Natural gas (<i>\$/mcf</i>)	9.12	5.76	9.07	6.99
Crude oil (<i>\$/bbl</i>)	114.06	78.77	106.71	70.03
Natural gas liquids (<i>\$/bbl</i>)	88.34	62.91	81.70	59.54
Wells Drilled, Net	12.5	9.3	27.6	27.5

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

(2) Total units outstanding include trust units plus exchangeable shares outstanding at period end. The exchangeable shares are converted at the exchange ratio at the end of the period.

(3) Cash distributions declared for the 2008 and 2007 periods, include \$3.1 million and \$1.8 million, respectively, relating to performance units that vested on July 2, 2008 and 2007.

(4) The nine months ended September 30, 2007 includes the acquisition of certain petroleum and natural gas assets in the Wapiti area on May 31, 2007 for \$40.9 million.

(5) Net of the disposition of assets to ProEx Energy Ltd.

Progress Energy Trust (“Progress” or the “Company”) generated quarterly cash flow from operations of \$72.1 million or \$0.62 per unit, diluted for the third quarter of 2008, an increase of 50 percent compared to \$48.1 million or \$0.43 per unit, diluted in the third quarter of 2007. Cash distributions declared totaled \$33.0 million or \$0.10 per trust unit resulting in a payout ratio of 46 percent excluding exchangeable shares, as compared to 64 percent for the same period in 2007. Production averaged 24,783 barrels of oil equivalent (boe) per day, an increase of four percent over same quarter in 2007.

Exploration and development capital expenditures in the Quarter were \$52.1 million including \$17.1 million invested in land in the Company’s key operating areas. For the nine months ending on September 30, 2008, Progress has made distributions of \$91.9 million and has invested \$109.2 million in its capital program. Cash flow from operations for the same period was \$218.2 million. The Company’s payout ratio is 42 percent year-to-date, excluding exchangeable shares and 48 percent including exchangeable shares.

“This has been a very strong quarter for the Company,” said Michael Culbert, President and Chief Executive Officer of Progress. “The foundation of our Company is as solid as ever. We have continued to build a focused, high quality asset base with the technical and financial expertise required to deliver results for unitholders at all points in the business and commodity price cycles.

Consistent production profile

Daily production for the third quarter averaged 24,783 boe including 126.3 million cubic feet of natural gas and 3,739 barrels of light and medium oil and natural gas liquids. Third quarter production was four percent higher than the comparable quarter in 2007 as a result of the Company’s consistent development program in the Deep Basin and Foothills areas. Fourth quarter production is expected to average approximately 25,000 boe per day.

Drilling Success

Progress’ third quarter exploration and development program included the drilling of 32 gross wells (12.5 net), resulting in 25 gas wells and 3 oil wells. At present, Progress has two rigs drilling in the Deep Basin and three rigs drilling in the Foothills.

In the third quarter, 14 wells (8.2 net) were drilled in the Deep Basin of northwest Alberta. This region continues to provide Progress with a growing inventory of multi-zone, high working interest opportunities through Crown purchases and farm-in agreements. In the Quarter, three farm-ins to industry competitors were negotiated adding over 5,000 acres of prospective land to the Deep Basin land base. In the Gold Creek project area, Progress drilled seven (5.8 net) successful new gas wells with tested gas rates of between one to four million cubic feet per day. These wells are expected to be tied-in to Progress owned infrastructure during the fourth quarter. At Chime-Smoky in the southern part of the Deep Basin, four wells were drilled (1.2 net) by partners utilizing seismic targeting the sub-thrusted, stacked Cardium gas-filled sands. Three of the four wells were successful achieving rates up to 3 million cubic feet per day after stimulation.

In the Foothills of northeast British Columbia, 18 (4.3 net) new gas wells were drilled. Progress participated in eight drills in the Julienne area which resulted in a significant expansion of the pool extent to the north. In addition, a new pool discovery in a new zone was made on the western most flank of Julienne. This well has been tied into Progress’ gathering system. One deep Debolt test was drilled and completed in the Sasquatch area.

At Dogrib, where the Halfway sand is quite impermeable, Progress participated in the drilling and completion of a 1,000 meter long horizontal Halfway well that has just been placed on production. A second horizontal well will be drilled to the south on the Sasquatch anticline testing a modestly permeable Halfway sand section. Two wells were drilled and successfully completed with a slick-water fracture stimulation in the Bubbles North area. The original standing horizontal well at Bubbles which was fracture stimulated with six fracs using the Packers Plus technology during the third quarter and has been producing at a stabilized rate of approximately 2 million cubic feet per day. Other wells drilled in the Foothills included a new pool discovery at Diaber and two Bluesky drills at West Gundy.

Land Expansion

In the third quarter, Progress acquired over 50,000 acres of undeveloped land through crown land sales and another 6,000 acres through property acquisitions in established fairways in the Foothills and Deep Basin regions. Land acquisition will continue along mapped or seismically identified trends as Progress strengthens its position as a dominant player in its operating regions. In total, Progress controls approximately 600,000 acres of undeveloped lands.

Premium to AECO

The Company's average gas price realization in the Quarter was \$8.22 per mcf after hedging, as compared to \$6.36 per mcf for the comparable quarter in 2007. On a before hedging basis, the Trust's gas price realization was \$9.12 per mcf. Progress' before hedging price realization represents a premium of approximately 18 percent to the average daily AECO index price of \$7.74 per mcf. The premium reflects the high heat content of the Company's gas production and impact of the balance of gas sales on Monthly index in the Quarter.

The Company's hedging program seeks to mitigate price volatility by hedging a portion of its revenue stream to protect both the capital program and distribution stream. Progress currently has hedges in place on approximately 25 percent of its winter natural gas production at a net floor price of \$10.44 per mcf.

AECO gas prices fell over 48 percent in the third quarter as compared to a 45 percent drop in Nymex gas prices largely the result of weaker than anticipated electrical demand for air conditioning load and falling world oil prices. Since the beginning of October however, AECO gas prices have risen by 18 percent compared to a 10 percent drop in spot Nymex gas prices. Going forward, AECO natural gas prices remain relatively strong as compared to Nymex gas prices due to the sharp strengthening of the US dollar in the past month.

Financial strength

Organic capital investment in the third quarter was \$52.1 million and \$111.1 million for the nine months ended September 30, 2008.

Progress' total debt-to-12-month trailing cash flow was 1.5 times as at September 30, 2008. The Company has a \$375 million credit facility with a syndicate of banks of which \$95 million was unutilized at Quarter end. Progress' total debt includes approximately \$124.1 million of convertible debentures which mature in 2010 and 2011. The Company's financial position also includes in excess of \$1 billion of tax pools which will help to shield income well beyond 2011 when the taxation of trust distributions is expected to be implemented.

Outlook

We expect fourth quarter production to average approximately 25,000 boe per day. Our capital investment program for the remainder of 2008 will be focused on internally generated drilling opportunities and aggressive land capture. Our initial plans for 2009 capital investment will focus on ensuring that our capital investment and distributions are in balance with cash flow. With an expected capital investment program of approximately \$120 to \$135 million in 2009, we will maintain our financial strength and flexibility in the current environment.

We believe the supply-demand balance for natural gas in North America remains tight. Although there has been substantial year over year growth in organic production in the US, it has been offset by reduced imports of liquefied natural gas and natural gas imports from Canada. On the demand side, there is consistent year over year growth in natural gas demand for electrical generation and residential and commercial consumption. Natural gas in storage will again be a critical factor in balancing winter related supply-demand. Natural gas in storage is expected to be approximately four to five percent lower than last years record levels but on par with the 5-year average meaning that colder than normal winter weather will place strong upward pressure on natural gas prices in North America.

Our focus on internally generated growth opportunities is well suited to continue to add unitholder value during these weak economic times. We have maintained a clear strategy on applying our tight gas expertise on non-conventional resource plays in the Deep Basin of northwest Alberta and the Foothills of northeast British Columbia while maintaining our low-cost focus to ensure that the Company remains strong and flexible even in

the face of weaker North American economic activity. Our low-cost operating structure and our strong capital efficiencies allow us to continue to capture opportunities no matter where we are in the business or commodity price cycle.

Equity market valuations have been significantly impacted by the weakening economy and credit issues globally. Progress' unit price and that of our competitors is trading at historical low levels. We believe that as investors begin to look through the economic weakness for investment opportunities, they will migrate towards companies with strong market liquidity, dominant asset positions in key resource plays and the financial strength to compete for opportunities. These attributes are characteristic of Progress Energy.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis ("MD&A") of financial results is dated October 30, 2008 and is to be read in conjunction with the accompanying unaudited consolidated interim financial statements and related notes for the period ended September 30, 2008 and the audited consolidated financial statements and related notes and MD&A of Progress Energy Trust ("Progress" or the "Trust") for the year ended December 31, 2007. 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 certain industry benchmarks such as operating netback and total debt to cash flow ratio to analyze financial and operating performance. These benchmarks as presented do not have any standardized meaning prescribed by Canadian GAAP and therefore may not be comparable with the calculation of similar measures for other entities. Operating netback and total debt to cash flow ratio are used by research analysts to compare operating performance and a trust's ability to maintain current distributions. Operating netback is the net result of the Trust'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. The total debt to cash flow ratio is calculated by dividing total debt at the end of the period (comprised of the working capital deficit or surplus, outstanding bank debt and the debt portion of the Trust's convertible unsecured debentures) by the 12 month trailing cash flow from operating activities before changes in non-cash working capital.

Forward-Looking Statements Certain information regarding Progress set forth in this document, including Management's assessment of the Trust's future plans and operations, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. 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; the focus of capital expenditures; expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development; projections of market prices and costs and the related sensitivity of distributions; the performance characteristics of the Trust'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; average royalty rates; grassroots development drilling and development drilling in its operating regions; amount of general and administrative expenses; treatment under governmental regulatory regimes and tax laws; and levels of cash distributions paid to unitholders. 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 Trust'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 and income trusts; 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, 2007 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 unitholders 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 Trust 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 Trust 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.

Description of Business

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

Progress is a Calgary based, natural gas focused, trust targeting sustainable production and reserves per trust unit through utilization of its technical capability and capital investment efficiencies. Primary operating regions include the Deep Basin of northwest Alberta and the northeast British Columbia Foothills and Fort St. John Plains regions. Trust units of Progress trade on the Toronto Stock Exchange ("TSX") under the symbol PGX.UN. Exchangeable shares and the 6.75 percent and 6.25 percent convertible unsecured subordinated debentures (the "Debentures") of Progress trade on the TSX under the symbols PGE, PGX.DB and PGX.DB.A, respectively.

Relationship with ProEx Energy Ltd.

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

Progress and ProEx also share the cost of long-term compensation and consequently ProEx has granted stock options and shares to employees and executives of Progress as service providers and has also participated in a long term incentive plan by granting ProEx common shares to employees of Progress, excluding the executives. To facilitate this plan, Progress purchases ProEx common shares and is reimbursed by ProEx for the cost incurred. As at September 30, 2008 184,489 ProEx shares (2007 – 173,789) have been purchased for future distribution under the plan. The ProEx common shares will be held until the vesting date, two years from the date of grant. Any forfeited shares will revert back to ProEx.

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

On April 2, 2007, Progress acquired all of the issued and outstanding shares of a private company for \$527.4 million, net of certain assets retained by the vendor. In conjunction with the acquisition, on April 2, 2007, Progress disposed of certain assets of the private company to ProEx for \$134.4 million. When considering the bid process for the acquisition, each of Progress and ProEx identified assets that they were interested in acquiring and values that they were willing to pay to acquire such assets. Progress made a single bid on behalf of ProEx and Progress and the ultimate purchase price was based on the prices that each of Progress and ProEx were willing to pay for the assets that they had selected to acquire. The resale of assets from Progress to ProEx was based on these allocations. The technical services committee reviewed the details of the transaction prior to the purchase and sale agreement being signed. All lands are managed in accordance with the Protocol Arrangement.

On November 30, 2007, Progress and ProEx jointly acquired certain assets in the Foothills region of British Columbia. The total cost of the acquisition of \$17.9 million was split in accordance with working interests currently held in the surrounding area. As a result, Progress acquired a 20 percent interest in the assets (\$3.6 million) and ProEx an 80 percent interest (\$14.3 million).

CORPORATE ACQUISITION

On April 2, 2007, Progress acquired all of the issued and outstanding shares of a private company for \$527.4 million, net of certain assets retained by the vendor (“Corporate Acquisition”). In conjunction with the Corporate Acquisition, on April 2, 2007, Progress disposed of certain assets of the private company to ProEx for \$134.4 million. The resulting net cash consideration of \$393.0 million was financed by the issuance of 21,000,000 trust units at a price of \$12.00 per trust unit for proceeds of \$252.0 million (\$238.7 million net of issue costs) and through increased bank debt. Included in the Corporate Acquisition was approximately \$720.9 million of tax pools which are available to Progress to shelter future taxable income resulting in the recognition of a \$137.2 million future income tax asset.

The Corporate Acquisition included approximately 6,400 boe per day of production, 95 percent natural gas and approximately 240,000 net acres of undeveloped land.

OPERATING SUMMARY

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

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

Production

	Three Months Ended September 30		Nine Months Ended September 30		Change
	2008	2007	2008	2007	
Average Daily Production					
Natural gas (<i>mcf/d</i>)	126,265	120,804	124,972	114,234	9%
Crude oil (<i>bbls/d</i>)	2,027	2,268	2,063	2,174	(5)%
Natural gas liquids (<i>bbls/d</i>)	1,712	1,370	1,810	1,411	28%
Total daily production (<i>boe/d</i>)	24,783	23,772	24,702	22,624	9%
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Sulphur sales (<i>tons/d</i>)	34	31	38	32	6%

For the three months ended September 30, 2008 (the "Quarter"), Progress' production averaged 24,783 boe per day consisting of 126,265 mcf per day of natural gas, 2,027 bbls per day of crude oil and 1,712 bbls per day of natural gas liquids. Production during the Quarter was four percent higher than the same period in 2007 of 23,772 boe per day as a result of successful drilling over the last 12 months in the Foothills of British Columbia and the Deep Basin of Alberta. The Trust's production portfolio for the Quarter was weighted 85 percent to natural gas, eight percent to crude oil and seven percent to natural gas liquids.

Natural gas production increased five percent to 126,265 mcf per day for the Quarter compared to 120,804 mcf per day for the same period in 2007 due to successful drilling. Crude oil and natural gas liquids production for the Quarter of 3,739 bbls per day was consistent with the same period in 2007 of 3,638 bbls per day.

Year-to-date 2008 production was 24,702 boe per day consisting of 124,972 mcf per day of natural gas, 2,063 bbls per day of crude oil and 1,810 bbls per day of natural gas liquids. This production was nine percent higher than the same period in 2007 of 22,624 boe per day due to the Corporate Acquisition on April 2, 2007, as well as successful drilling results. The Trust's production portfolio for the nine months ended September 30, 2008 was weighted 84 percent to natural gas, nine percent to crude oil and seven percent to natural gas liquids.

Management expects fourth quarter production to average approximately 25,000 boe per day, consistent with the Quarter.

Natural gas produced by Progress in certain areas of the Fort St. John Plains and Foothills regions of northeast British Columbia contain varying levels of hydrogen sulphide. The processing of this gas results in sulphur as a by-product. For the three and nine months ended September 30, 2008, the Trust sold 34 tons per day and 38 tons per day of sulphur, respectively (2007 - 31 tons per day and 32 tons per day, respectively).

Production by Region

	Three Months Ended September 30		Nine Months Ended September 30		Change
	2008	2007	2008	2007	
Average Daily Production (boe/d)					
Foothills	6,813	6,122	6,536	5,610	17%
Fort St. John Plains	1,778	2,036	1,714	2,001	(14)%
Deep Basin – Ojay	888	1,101	869	713	22%
Milo	217	304	228	331	(31)%
Total British Columbia	9,696	9,563	9,347	8,655	8%
Deep Basin	12,840	11,595	12,917	11,201	15%
Central Alberta	1,632	1,800	1,683	1,888	(11)%
Other	610	557	584	633	(8)%
Total Alberta	15,082	13,952	15,184	13,722	11%
Saskatchewan	5	257	171	247	(31)%
Total daily production	24,783	23,772	24,702	22,624	9%

Excludes sulphur production

Pricing

Natural Gas Markets

Progress' realized natural gas price for the Quarter was \$9.12 per mcf (2007 - \$5.76 per mcf) compared to the AECO daily index average of \$7.34 per gigajoule (“gj”) and the AECO monthly index average of \$8.76 per gj (2007 - \$4.88 per gj and \$5.32 per gj, respectively). Progress markets its natural gas at a mix of daily and monthly pricing.

For the nine months ended September 30, 2008 Progress' realized natural gas price was \$9.07 per mcf (2007 - \$6.99 per mcf), compared to the AECO daily index average of \$8.17 per gj and the AECO monthly index average of \$8.13 per gj (2007 - \$6.18 per gj and \$6.46 per gj, respectively).

The Quarter began with record high natural gas prices with AECO opening the Quarter at \$11.24 per gj before falling to \$5.81 per gj by September 30, 2008. Rising US natural gas production and the absence of weather related demand put continual downward pressure on prices throughout the Quarter. A relatively active hurricane season was expected to put upward pressure on prices but it also caused short term demand destruction as a result of the Texas area refineries being shut-down during the hurricanes. Since the end of the Quarter, the weakening Canadian dollar has caused AECO gas prices to rise even while Nymex gas prices have continued to fall.

The supply-demand balance for natural gas in North America remains tight. Although there has been substantial year over year growth in organic production in the US, it has been offset by reduced imports of liquefied natural gas and natural gas imports from Canada. On the demand side, there is consistent year over year growth in natural gas demand for electrical generation, residential and commercial consumption. Natural gas storage will again be a critical factor in balancing winter related demand. Natural gas storage is expected to be approximately four to five percent lower than last years record levels but on par with the 5-year average. Colder than normal winter weather will place strong upward pressure on natural gas prices in North America.

Oil Markets

Progress' realized prices for its liquids streams for the Quarter were \$114.06 per bbl (2007 - \$78.77 per bbl) for crude oil and \$88.34 per bbl (2007 - \$62.91 per bbl) for natural gas liquids. For the nine months ended September 30, 2008 Progress realized \$106.71 per bbl (2007 - \$70.03 per bbl) for crude oil and \$81.70 per bbl (2007 - \$59.54 per bbl) for natural gas liquids.

Crude oil prices began the Quarter with WTI oil hitting a high of \$145.29 US per barrel on July 3, 2008. Oil prices began to fall throughout the Quarter as global demand destruction concerns became more apparent. Prices continued to fall through September as the international credit crisis began to spread globally with fears of a global recession. WTI oil prices settled at \$100 US per barrel by the end of the Quarter but has since fallen further as a result of the deepening global credit crises. US and global demand forecasts are being revised downward which is having a resultant negative impact on prices

Sulphur Markets

Progress' net realized sulphur price for the Quarter and nine months ended September 30, 2008 was \$604.69 per ton and \$407.89 per ton, respectively (2007 - \$19.83 per ton net gain and \$6.58 per ton net loss, respectively). Progress markets its sulphur through an arrangement with a sulphur marketing company and pays all costs and fees associated with transportation, loading, storage and marketing of its sulphur.

North American sulphur prices have dropped sharply over the past Quarter. Depressed by the international credit crisis and decreased end use demand for the manufacture of fertilizer and nickel smelting, prices have fallen back to near historical average levels below \$100 per ton from the highs seen earlier this year in the \$800 plus range per ton. The market outlook for sulphur appears to be weak as a majority of the global purchasers hold substantial inventories which provide minimal demand while the Canadian sulphur supply continues unrestricted as produced sulphur comes as a by-product from the production of crude oil and natural gas.

Commodity Prices

	Three Months Ended September 30		Nine Months Ended September 30		Change
	2008	2007	2008	2007	
Average Benchmark Prices					
Natural gas – AECO (daily) (\$/gj)	7.34	4.88	8.17	6.18	32%
Natural gas – AECO (monthly) (\$/gj)	8.76	5.32	8.13	6.46	26%
Natural gas – Station #2 (daily) (\$/gj)	7.07	4.94	8.03	6.08	32%
Crude oil – WTI (US\$/bbl)	117.98	75.38	113.33	66.08	72%
Crude oil – Edmonton par price (Cdn\$/bbl)	121.91	79.84	115.12	72.96	58%
Exchange rate (US\$/Cdn\$)	1.0418	1.0446	1.0186	1.1048	(8)%
Average Realized Prices					
Natural gas (\$/mcf)	9.12	5.76	9.07	6.99	30%
Crude oil (\$/bbl)	114.06	78.77	106.71	70.03	52%
Natural gas liquids (\$/bbl)	88.34	62.91	81.70	59.54	37%
Sulphur – net (\$/ton)	604.69	19.83	407.89	(6.58)	

Price Risk Management

The Trust has entered into several natural gas financial contracts for the purpose of protecting its cash flow from the volatility of natural gas prices. For the Quarter, the Trust's natural gas price risk management program had a net realized loss of \$10.4 million (2007 - \$6.3 million net gain). For the nine months ended September 30, 2008, the Trust's natural gas price risk management program had a realized loss of \$19.9 million (2007 - \$13.5 million net gain).

On January 1, 2007 the Trust adopted the new accounting standards regarding the accounting for financial instruments. In addition to the adoption of the new standards, Management elected not to use hedge accounting and therefore, records the fair value of its natural gas financial contracts at each reporting period with the change in the fair value being classified as unrealized gains or losses on the statement of earnings.

On adoption, the Trust recognized a current asset of \$15.6 million for the fair value of its natural gas derivative contracts with a corresponding increase to the future income tax liability and accumulated other comprehensive income of \$5.1 million and \$10.5 million, respectively. The \$10.5 million in accumulated other comprehensive income was amortized through other comprehensive income and unrealized gain or loss on the statement of earnings over the term of the contracts. For the three months ended September 30, 2007, \$1.8 million, net of tax, was amortized through other comprehensive income with a corresponding pre-tax unrealized gain of \$2.7 million and a charge to future income tax expense of \$0.9 million. For the nine months ended September 30, 2007 \$9.9 million, net of tax, was amortized through other comprehensive income with a corresponding pre-tax unrealized gain of \$14.7 million and a charge to future income tax expense of \$4.8 million.

At September 30, 2008 the fair value of the natural gas financial contracts was an asset of \$12.7 million (2007 - \$2.6 million). The increase in value for the Quarter of \$57.0 million (2007 - \$0.6 million decrease) was due to the decrease in forward natural gas prices at September 30, 2008 as compared to the forward prices at June 30, 2008. For the same period in 2007, forward natural gas prices increased resulting in a loss of \$0.6 million. The increase in value of \$12.7 million for the nine months ended September 30, 2008 was due to the decrease in forward natural gas prices (2007 - \$1.7 million increase).

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

- To reduce risk exposure to budgeted annual cash flow projections resulting from uncertainty or changes in commodity prices, interest rates or foreign exchange.
- To provide greater certainty and stability to monthly distributions.
- To limit the permissible structures to ensure hedging effectiveness.
- To limit hedging up to a maximum of 50 percent of budgeted 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.

Progress' commodity risk management positions are described in Note 11 in the unaudited interim consolidated financial statements.

	Contract Natural Gas Volumes (‘000 gj/d)	% of Estimated Production
Fourth quarter of 2008	50	38
First quarter of 2009	35	24

Revenue

For the Quarter, petroleum and natural gas revenue increased 62 percent to \$143.0 million from \$88.5 million for the same period in 2007 due to both higher commodity prices and production. Production revenue for the Quarter consisted of \$106.0 million from natural gas sales, \$21.3 million from crude oil sales, \$13.9 million from the sale of natural gas liquids and \$1.9 million from the sale of sulphur.

For the nine months ended September 30, 2008, revenues increased 47 percent to \$415.8 million from \$282.5 million for the same period in 2007 due to higher natural gas production and higher commodity prices.

(\$ thousands)	Three Months Ended September 30		Nine Months Ended September 30		Change
	2008	2007	2008	2007	
Natural gas sales	105,953	64,061	310,709	218,018	43%
Crude oil sales	21,269	16,435	60,312	41,560	45%
Natural gas liquids sales	13,917	7,928	40,518	22,940	77%
Sulphur sales (net)	1,887	56	4,261	(58)	
Petroleum and natural gas revenue	143,026	88,480	415,800	282,460	47%

(\$ thousands)	Natural Gas	Crude Oil & NGLs	Sulphur	Total
Three months ended September 30, 2007 petroleum and natural gas revenue	64,061	24,363	56	88,480
Price variance	38,996	10,147	1,826	50,969
Production variance	2,896	676	5	3,577
Three months ended September 30, 2008 petroleum and natural gas revenue	105,953	35,186	1,887	143,026

(\$ thousands)	Natural Gas	Crude Oil & NGLs	Sulphur	Total
Nine months ended September 30, 2007 petroleum and natural gas revenue	218,018	64,500	(58)	282,460
Price variance	72,197	31,148	4,329	107,674
Production variance	20,494	5,182	(10)	25,666
Nine months ended September 30, 2008 petroleum and natural gas revenue	310,709	100,830	4,261	415,800

Royalties

For the Quarter, royalties increased 76 percent to \$33.8 million from \$19.2 million for the same period in 2007 due to higher revenues, as a result of higher commodity prices. Royalty expense consists of royalties paid to provincial governments, freehold landowners and overriding royalty owners. The Trust's average royalty rate for the Quarter was 23.7 percent compared to 21.8 percent in 2007. The increase in the royalty rate is due to the higher commodity prices.

For the nine months ended September 30, 2008 royalties increased 53 percent to \$96.9 million compared to \$63.2 million for the same period in 2007. The Trust's average royalty rate was 23.3 percent compared to 22.4 percent in 2007, the increase being due to higher commodity prices.

Management anticipates, based on current commodity prices and royalty regimes, the average royalty rate for the fourth quarter will be consistent with the Quarter at approximately 24.0 percent of petroleum and natural gas revenue.

On October 25, 2007 the Alberta government announced the New Royalty Framework ("framework"), which is proposed to take effect on January 1, 2009. Progress has reviewed the information currently provided by the government and believes that the changes to Alberta royalties may increase Progress' Alberta royalty rate from 27 percent to between 31.5 to 36.0 percent based on current production and a realized natural gas price of between

\$7.00 to \$9.00 per gj. Using the same production and price assumptions, Progress' corporate royalty rate is estimated to increase from 24 percent to between 27.5 to 29.0 percent.

The framework proposes a new simplified royalty formula for natural gas that will operate on a sliding scale determined by commodity prices, well productivity and drilling depth. Progress' Deep Basin well depths range between 2,300 to 2,700 meters which will be eligible for the new measured depth drilling formula. Progress is attracted to the Deep Basin region because of the quality and pedigree of the region with its higher than average well productivity and multi zone drilling targets. The new royalty formula will increase Progress' royalties payable but is not expected to materially impact the economics of development drilling in the Deep Basin. Generally, it is expected to have a negative impact on full cycle exploration drilling in Alberta due to the inadequate consideration of exploration risk. In the Quarter, approximately 60 percent of Progress' revenue and capital spending was in the province of Alberta.

Operating Expenses

Operating expenses during the Quarter decreased five percent to \$13.9 million from \$14.6 million for the same period in 2007 due to higher costs in 2007 as a result of the Corporate Acquisition on April 2, 2007. Since that time efficiencies have been obtained on the assets acquired to reduce operating costs. For the nine months ended September 30, 2008 operating expenses of \$41.4 million were consistent with the same period in 2007 of \$40.5 million. On a boe basis, operating expenses for the Quarter decreased nine percent to \$6.09 from \$6.67 in the same period in 2007 while year-to-date operating expenses decreased seven percent to \$6.12 from \$6.55 in the same period in 2007 as a result of efficiencies obtained on the assets acquired in the Corporate Acquisition.

Management anticipates operating expense for the fourth quarter of 2008 will be consistent with year-to-date operating expenses per boe and average approximately \$6.00 per boe.

Transportation Expenses

Transportation expenses for the Quarter increased seven percent to \$4.6 million compared to \$4.3 million for the same period in 2007, consistent with the increase in production. For the nine months ended September 30, 2008 transportation expenses increased 27 percent to \$14.3 million compared to \$11.2 million for the same period in 2007. The increase is due to higher production in 2008 compared to the same period in 2007 as well as, higher transportation and treatment tolls associated with the Corporate Acquisition and increased tolls paid to divert certain natural gas production in the Foothills region through the Spectra-owned Jedney facility during the McMahon turnaround in June 2008. On a boe basis, transportation expenses for the Quarter of \$2.01 were consistent with the same period in 2007 of \$1.96 while year-to-date transportation expenses increased 16 percent to \$2.11 compared to \$1.82 for the same period in 2007. In British Columbia, there is an infrastructure owned by mid-stream processing companies that enables gas producers to avoid facility construction in exchange for regulated gathering, processing and transmission fees. This all-in charge is included in transportation expenses.

Operating Netbacks

Although many wells produce both crude oil and natural gas, a well is categorized as a natural gas well or an oil well based upon the higher proportion of natural gas or crude oil production. The following table summarizes the operating netbacks for natural gas and oil properties for the three and nine months ended September 30, 2008 compared to the same periods in 2007:

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Natural Gas Properties (\$/mcf)				
Sales price	9.66	6.14	9.52	7.24
Realized gain (loss) on financial instruments	(0.84)	0.55	(0.54)	0.41
Royalties	(2.31)	(1.35)	(2.28)	(1.64)
Operating expenses	(0.91)	(0.97)	(0.90)	(0.99)
Transportation expenses	(0.34)	(0.33)	(0.36)	(0.30)
Operating netback – natural gas properties	5.26	4.04	5.44	4.72
Oil Properties (\$/bbl)				
Sales Price	98.38	68.09	95.26	64.21
Royalties	(21.45)	(14.00)	(19.50)	(13.22)
Operating expenses	(11.79)	(13.31)	(12.80)	(11.36)
Transportation expenses	(1.86)	(1.80)	(1.89)	(1.94)
Operating netback – oil properties	63.28	38.98	61.07	37.69
All Properties (\$/boe)				
Sales Price ¹	62.73	40.46	61.43	45.73
Realized gain (loss) on financial instruments	(4.58)	2.89	(2.93)	2.19
Royalties	(14.84)	(8.80)	(14.31)	(10.23)
Operating expenses	(6.09)	(6.67)	(6.12)	(6.55)
Transportation expenses	(2.01)	(1.96)	(2.11)	(1.82)
Operating netback – all properties	35.21	25.92	35.96	29.32

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”) decreased 10 percent to \$2.2 million compared to \$2.5 million for the same period in 2007. On a boe basis G&A was \$0.97 compared to \$1.12 for the same period in 2007. The decrease was due to higher overhead recoveries in the Quarter as a result of the higher capital spending as compared to the same period in 2007. For the nine months ended September 30, 2008, G&A expenses increased 14 percent to \$7.7 million (\$1.13 per boe) compared to \$6.7 million (\$1.09 per boe) for the same period in 2007. The increase in G&A year-to-date is due to the increased size of the Trust, as well as higher costs incurred to retain employees.

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

ProEx for the Quarter were \$2.0 million (2007 - \$1.4 million) and for the nine months ended September 30, 2008 were \$6.4 million (2007 - \$4.2 million).

The Trust capitalized approximately \$0.5 million of G&A during the Quarter (2007 - \$0.2 million) and \$1.3 million for the nine months ended September 30, 2008 (2007 - \$0.9 million). The majority of these costs represent geological and geophysical salaries.

Management anticipates G&A for the remainder of 2008 will be consistent with the Quarter at \$1.00 per boe.

Unit Based Compensation Expenses

Performance Units

The Progress performance unit plan (the "Plan") provides for employees and directors to be granted performance units which vest at the end of a three year performance period at which time they will be converted to trust units, or the cash equivalent, and include the accumulated distributions over the three year period. For new employees hired during the year, their 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 trust units paid is dependent upon a performance factor that is determined based on the Trust's performance relative to its peers and ranges from 0.5 to 1.5 times the initial grant, 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 trust units, at the Trust's option. Management anticipates, at the end of the performance period, accumulated distributions will be paid in cash and trust units will be paid from treasury.

Long Term Incentive Component

Awards granted under the LTI component of the Plan will vest over three years with 40 percent vesting on the second anniversary of the date of grant and 60 percent vesting on the third anniversary of the date of grant. An additional 15 percent grant will be paid if the holder holds the units they receive on the second anniversary date for one additional year. As at September 30, 2008 193,243 units are outstanding under the LTI component at an average value of approximately \$14.06 per unit, resulting in a total compensation cost of \$2.7 million of which \$2.5 million will be recognized through unit based compensation expense and \$0.2 million will be capitalized over the vesting period.

For the Quarter, unit based compensation expenses relating to the performance unit incentive plan, which includes the performance units and units issued under the LTI component, decreased 18 percent to \$2.0 million (\$0.86 per boe) compared to \$2.4 million (\$1.09 per boe) for the same period in 2007. The decrease is due to the vesting of the 2005 performance units on July 2, 2008, at a 1.5 performance factor. Effective July 2, 2008 543,850 performance units were granted to employees with the resulting unit based compensation being measured at a performance factor of 1.0.

For the nine months ended September 30, 2008 unit based compensation expenses decreased three percent to \$6.2 million (\$0.92 per boe) compared to \$6.4 million (\$1.04 per boe) for the same period in 2007. The difference is due to forfeitures, as well as the difference in the performance factor applied to the performance units vesting on July 2, 2008 and the ones granted on July 2, 2008. Actual performance factors will not be determined until the end of the three year performance periods.

On July 2, 2008 725,394 units were issued to settle the performance units vesting on July 2, 2008 at a performance factor of 1.5 times. Also on July 2, 2008 543,850 performance units were granted to employees that will vest on July 2, 2011.

On June 28, 2007 381,367 units were issued to settle the performance units vesting on July 2, 2007.

As at September 30, 2008 the total outstanding performance units and units under the LTI component amounted to two percent of the total outstanding trust units and units which may be issued on the exchange of exchangeable shares using the currently anticipated performance factors for the performance units.

Performance Units	Nine Months Ended September 30	
	2008	2007
Balance, beginning of period	1,388,200	1,300,717
Granted	553,750	503,650
Performance factor adjustment ¹	235,950	-
Settled	(725,394)	(381,367)
Forfeited	(118,606)	(49,700)
Balance, end of period	1,333,900	1,373,300
Vesting Date		
July 2, 2008 ¹	-	483,800
July 2, 2009 ²	355,800	402,750
July 2, 2010 ³	444,750	486,750
July 2, 2011	533,350	-
Total	1,333,900	1,373,300

- (1) A performance factor of 1.5 times was realized on the performance units vesting on July 2, 2008 resulting in an additional 235,950 units being issued.
- (2) Using the current anticipated performance factor of 1.5 times, 533,700 trust units will be issued on the vesting of the 2009 performance units.
- (3) Using the current anticipated performance factor of 1.25 times, 558,775 units will be issued on the vesting of the 2010 performance units.

Units under LTI Component	Nine Months Ended September 30	
	2008	2007
Balance, beginning of period	189,485	-
Granted	24,238	185,999
Forfeited	(20,480)	(9,144)
Balance, end of period	193,243	176,855
Vesting Date		
2009	67,739	70,742
2010	111,166	106,113
2011	14,338	-
Total ¹	193,243	176,855

- (1) An additional 15 percent grant will be paid to LTI unitholders if a unitholder holds the units they receive on the second anniversary date for one additional year. This would result in an additional 28,986 units issued by the Trust.

Interest and Financing Expenses

Interest and financing expenses during the Quarter decreased four percent to \$6.1 million compared to \$6.3 million for the same period in 2007 as a result of lower interest rates on bank debt. Year-to-date interest and financing expenses increased 16 percent to \$18.3 million compared to \$15.8 million for the same period in 2007. The increase was due to the increase in bank debt to fund the Corporate Acquisition and capital expenditures during the last half of 2007 and first half of 2008.

(\$ thousands)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2008	2007	2008	2007
Interest on bank debt	3,293	3,518	10,054	7,507
Interest on Debentures	2,120	2,123	6,329	6,335
Amortization of Debenture issue costs	279	279	837	837
Accretion on debt portion of Debentures ¹	371	367	1,103	1,086
Total interest and financing expense	6,063	6,287	18,323	15,765

(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”) of \$36.7 million was consistent with the same period in 2007 of \$37.3 million. For the nine months ended September 30, 2008 DD&A increased 10 percent to \$111.6 million compared to \$101.4 million for the same period in 2007. The increase was due to the Corporate Acquisition. On a boe basis, DD&A for the Quarter was \$16.11 compared to \$17.08 for the same period in 2007 and for the nine months ended September 30, 2008 was \$16.49 compared to \$16.42 for the same period in 2007.

Taxes

On June 12, 2007 the federal government’s bill regarding the taxation of distributions from trusts beginning January 1, 2011 passed the third reading making it substantively enacted in accordance with Canadian GAAP. As a result, a recovery of \$6.6 million was recognized in the future income tax provision on the recognition of a \$6.6 million future income tax asset in the Trust. Previously, the future income tax liability on the consolidated balance sheet represented only the future income tax liability of the Trust’s subsidiary.

As part of the government’s bill, a growth limit was established for existing trusts by limiting new equity issues to 40 percent of that trust’s October 31, 2006 market capitalization (“benchmark”) for 2007, and an additional 20 percent of the benchmark for each of 2008, 2009 and 2010. For Progress, the 2008 growth limit is \$463.2 million increasing by \$238.4 million for each of 2009 and 2010. Any unused amount will roll forward to the next year.

The provision for future income taxes for the Quarter was an expense of \$15.5 million compared to a recovery of \$5.9 million in same period in 2007. The expense for the Quarter is due to higher pre-tax earnings as compared to the same period in 2007 as a result of higher revenues and the unrealized gain on financial instruments. For the nine months ended September 30, 2008 the provision for future income taxes was an expense of \$7.6 million compared to a recovery of \$16.6 million for the same period in 2007. The difference was due to higher pre-tax earnings, as well as the recovery in the prior period due to the recognition of the Trust’s future income tax asset.

As a result of the Corporate Acquisition, Progress recognized a \$137.2 million future income tax asset for the difference between the \$720.9 million in tax pools acquired over the value assigned to the assets. Progress’ estimated tax pool balances as at September 30, 2008 total approximately \$1.1 billion.

On July 14, 2008 the Department of Finance of Canada released draft tax legislation (the SIFT conversion rules) that will facilitate the restructuring of income trusts into corporations. The draft rules have been anticipated since October 31, 2006 when the Government of Canada first proposed to impose an entity-level tax on income trusts. If enacted as proposed, the SIFT conversion rules would generally allow Progress to convert to corporate form on a tax-efficient basis during a five-year window beginning on the date of the announcement and ending December 31, 2012. Management continues to analyze its business options for structural changes and to determine a course of action and potential restructuring to maximize value in the best interest of unitholders.

Non-Controlling Interest - Exchangeable Shares

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

	Nine months ended September 30			
	2008		2007	
<i>(\$ thousands, except unit amounts)</i>	Number	Amount	Number	Amount
Exchangeable Shares				
Balance, beginning of period	9,173,083	126,384	9,642,540	122,592
Exchanged for trust units	(1,050,127)	(14,848)	(375,066)	(4,842)
Non-controlling interest expense		11,601		8,574
Balance, end of period	8,122,956	123,137	9,267,474	126,324

The charge to net earnings of \$11.6 million for 2008 and \$8.6 million for 2007 represents the net earnings attributable to the exchangeable shares over the period.

Net Earnings and Comprehensive Income

Net earnings for the Quarter increased 341 percent to \$52.5 million compared to \$11.9 million for the same period in 2007 as a result of higher revenues, as well as a \$57.0 million unrealized gain on financial instruments. Basic and diluted net earnings for the Quarter were \$0.53 per unit and \$0.51 per unit, respectively, compared to \$0.12 per unit basic and diluted for the same period in 2007.

Net earnings for the nine months ended September 30, 2008 increased 48 percent to \$89.1 million compared to \$60.3 million for the same period in 2007, as a result of higher revenues. Basic and diluted net earnings for the nine months ended September 30, 2008 were \$0.90 per unit and \$0.89 per unit, respectively, compared to \$0.67 per unit basic and \$0.66 per unit diluted for the same period in 2007.

Other comprehensive income for the three and nine months ended September 30, 2008 was nil compared to a loss of \$1.8 million and \$9.9 million, respectively, for the same periods in 2007. The prior period amounts relate to the amortization of the amount recognized in accumulated other comprehensive income on January 1, 2007 for the fair value of financial instruments on adoption of the new accounting standards for financial instruments (refer to Risk Management above). Total comprehensive income for the three and nine months ended September 30, 2008 was \$52.5 million and \$89.1 million respectively (2007 - \$10.1 million and \$50.3 million, respectively).

Quarterly Financial Summary ^{1,2}

	Three Months Ended							
	Sept 30 2008	June 30 2008	Mar 31 2008	Dec 31 2007	Sept 30 2007	June 30 2007	Mar 31 2007	Dec 31 2006
<i>(\$ thousands, except per unit amounts)</i>								
Petroleum and natural gas revenue	143,026	149,699	123,075	99,592	88,480	108,503	85,477	75,182
Net earnings	52,461	28,631	8,034	9,922	11,909	31,947	16,425	21,538
Per unit basic	0.53	0.29	0.08	0.10	0.12	0.33	0.22	0.29
Per unit diluted	0.51	0.29	0.08	0.10	0.12	0.33	0.22	0.28

- Certain amounts above have been adjusted to conform to the presentation adopted in 2007 as a result of the adoption of the new accounting standards for financial instruments.
- Petroleum and natural gas revenue for the first quarter of 2007 increased as a result of increased production from drilling, as well as, higher natural gas prices. Net earnings for the first quarter of 2007 decreased due to an \$8.2 million unrealized loss on financial instruments as a result of adopting the new accounting standards for financial instruments and electing not to use hedge accounting. Petroleum and natural gas revenue increased in the second quarter of 2007 due to the Corporate Acquisition and decreased for the third and fourth quarter of 2007 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 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 Quarter, revenues decreased slightly due to lower commodity prices. Net earnings for the Quarter included a \$57.0 million unrealized gain on financial instruments.

Distributions

Management monitors the Trust's distribution payout policy with respect to forecasted net cash flow, debt levels and capital expenditures. As a crude oil and natural gas trust, Progress has a declining asset base and therefore relies on ongoing development activities and acquisitions to replace production and add additional reserves. Progress' future crude oil and natural gas production and reserves are highly dependent on its success in exploiting its asset base and acquiring additional reserves. The success of these activities, along with natural gas prices are the main factors influencing the sustainability of the Trust's distributions. Progress defines sustainability as maintaining production and reserves per trust unit over an extended period of time. Progress' sustainability objective is to annually retain sufficient cash flow to replace reserves produced.

Since January 2007, the Trust's monthly distribution has been \$0.10 per trust unit. Distributions for the Quarter were \$33.0 million compared to \$31.0 million for the same period in 2007. For the nine months ended September 30, 2008 \$91.9 million was distributed compared to \$84.9 million for the same period in 2007. Included in the distributions for the Quarter was \$3.1 million paid on the vesting of the 2008 performance units (2007 - \$1.8 million).

For the Quarter, cash flow from operating activities (after changes in non-cash working capital) of \$81.5 million, exceeded cash distributions of \$33.0 million. This was consistent with the three months ended September 30, 2007 in which cash flow from operating activities (after changes in non-cash working capital) of \$55.7 million exceeded cash distributions of \$31.0 million. For the nine months ended September 30, 2008, cash flow from operating activities (after changes in non-cash working capital) of \$223.6 million exceeded cash distributions of \$91.9 million (2007 - \$174.7 million cash flow from operating activities (after changes in non-cash working capital) exceeded distributions of \$84.9 million).

For the Quarter, net earnings of \$52.5 million exceeded the cash distributions of \$33.0 million. For the three months ended September 30, 2007, cash distributions of \$31.0 million exceeded net earnings of \$11.9 million. Cash distributions for the nine months ended September 30, 2008 and 2007 of \$91.9 million and \$84.9 million, respectively, both exceeded net earnings for those periods of \$89.1 million and \$60.3 million, respectively. Net earnings include significant non-cash charges which for the Quarter were \$20.0 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 exceed net earnings, a portion of the cash distribution paid to unitholders may represent an economic return of the unitholders' capital.

For the Quarter, cash distributions and capital spending combined totaled \$87.2 million, which was higher than the cash flow from operating activities (after changes in non-cash working capital) of \$81.5 million. For the three months ended September 30, 2007 cash distributions and capital spending was \$1.3 million lower than the cash flow from operating activities (after changes in non-cash working capital). For the nine months ended September 30, 2008, cash distributions and capital spending were lower than cash flow from operating activities (after changes in non-cash working capital) by \$22.5 million (2007 - \$33.0 million higher, excluding the Corporate Acquisition). Progress relies on access to capital markets to the extent cash distributions and net capital expenditures exceed cash flow from operations (after changes in non-cash working capital). Over the long term Progress expects to fund distributions and capital expenditures with its cash flow, however, it will continue to fund acquisitions and growth through additional debt and equity. 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 is not possible to distinguish between capital spent on maintaining productive capacity and capital spent on growth opportunities. Therefore, maintenance capital is not disclosed separately from development capital spending.

On October 25, 2007 the Alberta government announced the New Royalty Framework (“framework”), which will take effect on January 1, 2009. Progress has reviewed the information currently provided by the government and believes that the changes to Alberta royalties may increase Progress’ Alberta royalty rate from 27 percent to between 31.5 to 36.0 percent based on current production and a realized natural gas price of between \$7.00 to \$9.00 per gj. Using the same production and price assumptions, Progress’ corporate royalty rate is estimated to increase from 24 percent to between 27.5 to 29.0 percent.

Although Progress intends to continue to make cash distributions to unitholders, these distributions are not guaranteed.

Capital Expenditures

During the Quarter, the Trust invested \$54.2 million in capital expenditures compared to \$23.4 million in the same period in 2007. For the nine months ended September 30, 2008 the Trust invested \$109.2 million in capital expenditures compared to \$122.9 million for the same period in 2007.

<i>(\$ thousands)</i>	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2008	2007	2008	2007
Land acquisitions and retention	17,118	1,104	23,186	5,143
Geological and geophysical	1,978	725	4,609	3,383
Drilling and completions	25,161	22,954	61,508	58,392
Equipping and facilities	7,786	6,912	21,674	23,421
Corporate assets	100	31	142	203
Exploration and development capital	52,143	31,726	111,119	90,542
Net property acquisitions (dispositions)	2,080	(8,293)	(1,920)	32,326
Total capital expenditures	54,223	23,433	109,199	122,868

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.

Progress drilled 32 gross wells (12.5 net) with a 94 percent success rate during the Quarter. The drilling activity included 14 gross wells (8.2 net) in the Deep Basin region of northwest Alberta and 18 gross wells (4.3 net) in the

Foothills region of northeast British Columbia. The net wells include 10.6 gas wells, 1.1 crude oil wells and 0.8 abandoned wells.

During the Quarter Progress acquired over 50,000 acres of undeveloped land through crown land sales and another 6,000 acres through property acquisitions in established fairways in the Foothills and Deep Basin regions.

Year-to-date, Progress drilled 66 gross wells (27.6 net) with a 97 percent success rate. The program included 23 gross wells (16.1 net) drilled in the Deep Basin region of northwest Alberta, 38 gross (10.4 net) drilled in the Foothills of northeast British Columbia, one gross well (0.8 net) in the Fort St. John Plains region and four gross (0.2 net) drilled in Central Alberta.

Progress' capital program for the remainder of 2008 will be focused on internally generated drilling opportunities and aggressive land capture.

Goodwill

The goodwill balance of \$414.7 million is primarily the result of the acquisition of Cequel in 2004. In accordance with Canadian GAAP, goodwill is not amortized but is subject to an impairment test. Progress conducts a goodwill impairment test on an annual basis 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 Trust as a whole less the fair value of the Trust's identifiable assets and liabilities. Given the significant value attributable to the Trust's oil and natural gas assets, a write-down of the carrying value of goodwill may be required if the fair value of identifiable assets, less the fair value of liabilities, exceed the value of Progress.

Liquidity and Capital Resources

<i>(\$ thousands, except per unit amounts)</i>	September 30 2008	December 31 2007
Working capital deficiency	4,985	25,459
Bank debt	279,918	296,590
Convertible debentures	124,057	122,174
Total debt	408,960	444,223
Units outstanding and issuable for exchangeable shares (thousands)	112,398	110,781
Market price per unit, end of period	12.05	10.85
Market value of trust units and exchangeable shares	1,354,396	1,201,974
Cash flow ¹ (12 month trailing)	272,941	214,290
Total debt to cash flow ratio	1.50	2.07

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

At September 30, 2008 the Trust had \$279.9 million outstanding on its credit facilities, \$124.1 million for the debt portion of the 6.75 percent and 6.25 percent convertible unsecured subordinated debentures (the "Debentures") and a working capital deficit of \$5.0 million, totaling \$409.0 million of total debt. Included in the working capital deficit is the Trust's investment in Seaview valued at \$22.4 million at September 30, 2008 as described below.

At September 30, 2008 the Trust's credit facilities consisted of a \$340 million extendible revolving term credit facility and a \$35 million working capital credit facility with a syndicate of banks. The facilities are available on a revolving basis for a period of at least 364 days until May 26, 2009, and such initial term out date may be extended for further 364 day periods at the request of the Trust, subject to approval by the banks. Following the term out date, the facilities will be available on a non-revolving basis for a one year term, at which time the facilities would be due and payable. The credit facilities are secured by a \$1 billion fixed and floating charge debenture on the assets of Progress Energy Ltd. and by a guarantee and subordination provided by Progress

Energy Ltd. in respect of the Trust's obligations. The \$375 million borrowing base is subject to semi-annual review by the banks.

At September 30, 2008 the Trust 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. Both 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 trust units at a conversion price of \$15.00 per trust unit and \$19.50 per trust unit, respectively. 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 Debentures have been classified as debt net of the fair value of the conversion feature which has been classified as part of unitholders' equity and net of issue costs. At September 30, 2008 the debt portion was \$124.1 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.

Bank debt decreased from \$296.6 million as at December 31, 2007 to \$279.9 million as at September 30, 2008 due to strengthening commodity prices. The working capital deficit of \$5.0 million at September 30, 2008 is lower than the December 31, 2007 deficiency of \$25.4 million due to the Trust's investment in Seaview.

On June 26, 2008, Progress disposed of its Saskatchewan properties to 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, will be measured at fair market value each reporting period. Based on Seaview's closing trading price on September 30, 2008 of \$2.70 per share, a loss of \$12.9 million and \$1.2 million was recognized for the three and nine months ended September 30, 2008 on the revaluation of the shares to \$22.4 million at September 30, 2008.

On April 2, 2007 Progress purchased all of the issued and outstanding shares of a private company (refer to Corporate Acquisition above) and in conjunction with the purchase, sold certain assets of the private company to ProEx. The net cash consideration of \$393.0 million, was financed by the issuance of 21.0 million trust units at a price of \$12.00 per trust unit for proceeds of \$252.0 million (\$238.7 million net of issue costs) and through increased bank debt.

Outstanding as at October 29, 2008 were 99,784,948 trust units, 8,122,956 exchangeable shares convertible into 12,715,513 trust units and \$130.7 million of Debentures convertible into 7,557,287 trust units.

The Trust's investing activities in the Quarter primarily consisted of expenditures on its capital program. Management anticipates that the Trust 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 cash distributions paid to unitholders as distributions are not guaranteed.

CERTIFICATION OF DISCLOSURE

A new national instrument 52-109 is effective for the Trust's 2008 year end reporting. The rule includes the certification of the operating effectiveness of internal controls over financial reporting ("ICFR"), requires the use of a control framework to design and evaluate internal controls, provides specific guidance regarding the documentation of controls, as well as the documentation on testing and evaluating controls, and provides clarification regarding the definition of a material weakness and conclusions on disclosure controls and procedures when there is a material weakness in ICFR. Progress has examined the rule and will be compliant on the effective date.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Early in 2008, the Canadian Accounting Standards Board confirmed the convergence of Canadian GAAP to International Financial Reporting Standards (“IFRS”) effective January 1, 2011. Progress is assessing the impact of adopting IFRS and is implementing plans for transition.

DISCLOSURE CONTROLS AND PROCEDURES

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

Additional Information

Additional information regarding the Trust and its business and operations, including the annual information form (“AIF”) is available on the Trust’s company profiles at www.sedar.com. Copies of the AIF can also be obtained by contacting the Trust at Progress Energy Trust 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 Trust’s web site at www.progressenergy.com.

OUTLOOK

We remain firmly focused on our goal of maintaining or modestly growing reserves and production on a per unit basis. Our sustainability strategy has been achieved through the drill bit at industry leading efficiencies and supplemented by strategic acquisitions while maintaining our financial strength. Our sustainability strategy has been strengthened by expanding our development inventory while providing an appropriate exposure to exploration upside within our existing core regions.

We expect fourth quarter production to average approximately 25,000 boe per day. Our capital investment program for the remainder of 2008 will be focused on internally generated drilling opportunities and aggressive land capture. Our initial plans for 2009 capital investment will focus on ensuring that our capital investment and distributions are in balance with cash flow. With an expected capital investment program of approximately \$120 to \$135 million in 2009, we will maintain our financial strength and flexibility in the current environment

We believe the supply-demand balance for natural gas in North America remains tight. Although there has been substantial year over year growth in organic production in the US, it has been offset by reduced imports of liquefied natural gas and natural gas imports from Canada. On the demand side, there is consistent year over year growth in natural gas demand for electrical generation and residential and commercial consumption. Natural gas in storage will again be a critical factor in balancing winter related demand.

Our focus on internally generated growth opportunities is well suited to continue to add unitholder value during these weak economic times. We have maintained a clear strategy on applying our tight gas expertise on non-conventional resource plays in the Deep Basin of northwest Alberta and the Foothills of northeast British Columbia while maintaining our low-cost focus to ensure that Progress remains strong and flexible even in the face of weaker North American economic activity. Our low-cost operating structure and our strong capital efficiencies allow us to continue to capture opportunities no matter where we are in the business or commodity price cycle.

Equity market valuations have been significantly impacted by the weakening economy and credit issues globally. Progress' unit price and that of our competitors are trading at historical low levels. We believe that as investors begin to look through the economic weakness for investment opportunities, they will migrate towards companies with strong market liquidity, dominant asset positions in key resource plays and the financial strength to compete for opportunities. These attributes are characteristic of Progress. We remain aligned with our unitholders through an approximate 11 percent ownership of the units and exchangeable shares of Progress by employees, management and directors.

On behalf of the Board of Directors,

(Signed) "Michael R. Culbert"

Michael R. Culbert
President & CEO
October 30, 2008

PROGRESS ENERGY TRUST
CONSOLIDATED BALANCE SHEETS

(Unaudited)

<i>(\$ thousands)</i>	September 30 2008	December 31 2007
ASSETS		
Current		
Cash and short-term investments	-	-
Accounts receivable	44,535	47,505
Prepaid expenses and deposits	11,434	5,066
Fair value of financial instruments <i>(Note 11)</i>	12,727	-
Investments <i>(Notes 3 and 11)</i>	23,756	4,082
	92,452	56,653
Property, plant and equipment <i>(Note 3)</i>	1,033,418	1,055,054
Future income taxes <i>(Note 2)</i>	32,730	36,716
Goodwill	414,655	414,655
	1,573,255	1,563,078
LIABILITIES		
Current		
Accounts payable and accrued liabilities	69,495	67,127
Cash distributions payable	9,978	9,748
Current income taxes payable	5,237	5,237
Future income taxes	3,940	-
	88,650	82,112
Bank debt <i>(Note 4)</i>	279,918	296,590
Convertible debentures <i>(Note 5)</i>	124,057	122,174
Asset retirement obligations <i>(Note 6)</i>	35,184	35,012
	527,809	535,888
NON-CONTROLLING INTEREST		
Exchangeable shares <i>(Note 7)</i>	123,137	126,384
UNITHOLDERS' EQUITY		
Unitholders' capital <i>(Note 8)</i>	1,019,038	990,946
Convertible debentures <i>(Note 5)</i>	7,699	7,702
Contributed surplus <i>(Note 8)</i>	10,634	14,468
Deficit	(115,062)	(112,310)
	922,309	900,806
	1,573,255	1,563,078

See accompanying notes to the consolidated financial statements

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

	Three Months Ended September 30		Nine Months Ended September 30	
<i>(\$ thousands, except per unit amounts)</i>	2008	2007	2008	2007
REVENUE				
Petroleum and natural gas	143,026	88,480	415,800	282,460
Royalties	(33,841)	(19,242)	(96,855)	(63,167)
	109,185	69,238	318,945	219,293
Realized gain (loss) on financial instruments <i>(Note 11)</i>	(10,433)	6,324	(19,853)	13,504
Unrealized gain (loss) on financial instruments <i>(Note 11)</i>	57,005	(598)	12,727	1,668
Unrealized (loss) on investments <i>(Note 11)</i>	(15,602)	-	(3,959)	-
	140,155	74,964	307,860	234,465
EXPENSES				
Operating	13,886	14,596	41,395	40,478
Transportation	4,584	4,295	14,306	11,242
General and administrative	2,218	2,454	7,665	6,734
Unit based compensation <i>(Note 8)</i>	1,971	2,394	6,235	6,443
Interest and financing	6,063	6,287	18,323	15,765
Depletion, depreciation and accretion	36,741	37,345	111,598	101,401
	65,463	67,371	199,522	182,063
Earnings before taxes and non-controlling interest	74,692	7,593	108,338	52,402
TAXES				
Capital taxes	-	28	39	107
Future income taxes	15,470	(5,936)	7,572	(16,560)
	15,470	(5,908)	7,611	(16,453)
Net earnings before non-controlling interest	59,222	13,501	100,727	68,855
Non-controlling interest – exchangeable shares <i>(Note 7)</i>	(6,761)	(1,592)	(11,601)	(8,574)
NET EARNINGS	52,461	11,909	89,126	60,281
OTHER COMPREHENSIVE INCOME				
Amortization of fair value of financial instruments <i>(Note 11)</i>	-	(1,804)	-	(9,942)
COMPREHENSIVE INCOME	52,461	10,105	89,126	50,339
Deficit, beginning of period	(134,558)	(73,922)	(112,310)	(68,371)
Distributions	(32,965)	(30,987)	(91,878)	(84,910)
Deficit, end of period	(115,062)	(93,000)	(115,062)	(93,000)
NET EARNINGS PER UNIT <i>(Note 8)</i>				
Basic	\$0.53	\$0.12	\$0.90	\$0.67
Diluted	\$0.51	\$0.12	\$0.89	\$0.66

See accompanying notes to the consolidated financial statements

PROGRESS ENERGY TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
<i>(\$ thousands)</i>	2008	2007	2008	2007
OPERATING ACTIVITIES				
Net earnings	52,461	11,909	89,126	60,281
Unrealized loss (gain) on financial instruments <i>(Note 11)</i>	(57,005)	598	(12,727)	(1,668)
Unrealized loss on investments <i>(Note 11)</i>	15,602	-	3,959	-
Depletion, depreciation and accretion	36,741	37,345	111,598	101,401
Non-controlling interest – exchangeable shares <i>(Note 7)</i>	6,761	1,592	11,601	8,574
Convertible debentures accretion <i>(Note 5)</i>	371	367	1,103	1,086
Amortization of convertible debenture issue costs <i>(Note 5)</i>	279	279	837	837
Amortization of commodity sales contract	(109)	(125)	(335)	(383)
Unit based compensation expense <i>(Note 8)</i>	1,971	2,394	6,235	6,443
Asset retirement expenditures <i>(Note 6)</i>	(398)	(338)	(755)	(448)
Future income taxes	15,470	(5,936)	7,572	(16,560)
	72,144	48,085	218,214	159,563
Changes in non-cash working capital <i>(Note 10)</i>	9,377	7,605	5,368	15,177
	81,521	55,690	223,582	174,740
FINANCING ACTIVITIES				
Increase (decrease) in bank debt	(2,159)	8,022	(16,672)	185,058
Issue of units <i>(Notes 2 and 8)</i>	-	-	-	252,000
Cash distributions	(32,865)	(30,979)	(91,648)	(85,740)
Unit issue costs <i>(Notes 2 and 8)</i>	-	-	-	(13,304)
	(35,024)	(22,957)	(108,320)	338,014
INVESTING ACTIVITIES				
Corporate Acquisition <i>(Note 2)</i>	-	-	-	(523,763)
Disposition <i>(Note 2)</i>	-	-	-	134,400
Capital expenditures	(54,223)	(23,433)	(109,199)	(122,868)
Changes in non-cash working capital <i>(Note 10)</i>	7,726	(9,300)	(6,063)	(8,788)
	(46,497)	(32,733)	(115,262)	(521,019)
CHANGE IN CASH AND SHORT-TERM INVESTMENTS	-	-	-	(8,265)
Cash and short-term investments, beginning of period	-	-	-	8,265
CASH AND SHORT-TERM INVESTMENTS, END OF PERIOD	-	-	-	-

See accompanying notes to the consolidated financial statements

PROGRESS ENERGY TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Relationship with ProEx Energy Ltd.

ProEx Energy Ltd. (“ProEx”) was created as part of a Plan of Arrangement effective July 2, 2004 which included the creation of Progress Energy Trust. Progress has no ownership interest in ProEx and ProEx has no ownership interest in Progress. ProEx has no employees. Progress provides personnel and services to ProEx under a technical services agreement (“Technical Services Agreement”). The Technical Services Agreement was put in place to ensure the sharing of costs of operating both companies using Progress employees. The Trust provides personnel and certain administrative and technical services in connection with the management, development, exploitation and operation of the assets of ProEx and the marketing of its production. The Trust provides these services to ProEx on an expense reimbursement basis, based on ProEx’s monthly capital activity and production levels relative to the combined capital activity and production levels of both the Trust and ProEx. Total expense reimbursed by ProEx for the three and nine months ended September 30, 2008 was \$2.0 million and \$6.4 million, respectively (2007 – \$1.4 million and \$4.2 million).

Progress and ProEx also share the cost of long-term compensation and consequently ProEx has granted stock options and shares to employees and executives of Progress as service providers and has also participated in the long term incentive plan by granting ProEx common shares to employees of Progress, excluding the executives. To facilitate this plan, Progress purchases ProEx common shares and is reimbursed by ProEx for the cost incurred. As at September 30, 2008 184,489 ProEx shares (2007 – 173,789) had been purchased for future distribution under the plan. The ProEx common shares will be held until the vesting date and any forfeited shares will revert back to ProEx.

As at September 30, 2008, accounts payable included \$4.5 million (2007 – \$1.0 million) payable to ProEx which includes standard joint venture amounts including revenue. These amounts were paid subsequent to September 30, 2008.

On April 2, 2007, Progress acquired all of the issued and outstanding shares of a private company for \$527.4 million, net of certain assets retained by the vendor. In conjunction with the acquisition, on April 2, 2007, Progress disposed of certain assets of the private company to ProEx for \$134.4 million. When considering the bid process for the acquisition, each of Progress and ProEx identified assets that they were interested in acquiring and values that they were willing to pay to acquire such assets. Progress made a single bid on behalf of ProEx and Progress and the ultimate purchase price was based on the prices that each of Progress and ProEx were willing to pay for the assets that they had selected to acquire. The resale of assets from Progress to ProEx was based on these allocations. The technical services committee reviewed the details of the transaction prior to the purchase and sale agreement being signed. All lands are managed in accordance with the Protocol Arrangement.

On November 30, 2007, Progress and ProEx jointly acquired certain assets in the Foothills region of British Columbia. The total cost of the acquisition of \$17.9 million was split in accordance with working interests currently held in the surrounding area. As a result, Progress acquired a 20 percent interest in the assets (\$3.6 million) and ProEx an 80 percent interest (\$14.3 million).

1. SUMMARY OF ACCOUNTING POLICIES

The interim consolidated financial statements of the Trust have been prepared following the same accounting policies and methods of computation as the consolidated financial statements of the Trust for the year ended December 31, 2007. The disclosures provided below are incremental to those included with the annual consolidated financial statements and certain disclosures, which are normally required to be included in the notes to the annual consolidated financial statements, have been condensed or omitted. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Trust's annual report for the year ended December 31, 2007.

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

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

2. CORPORATE ACQUISITION

On April 2, 2007 Progress acquired all of the issued and outstanding shares of a private company for \$527.4 million, net of certain assets retained by the vendor. In conjunction with the acquisition, on April 2, 2007, Progress disposed of certain assets of the private company to ProEx for \$134.4 million. The resulting net cash consideration of \$393.0 million was financed by the issuance of 21,000,000 trust units at a price of \$12.00 per trust unit for proceeds of \$252.0 million (\$238.7 million net of issue costs) and through increased bank debt. Included in the acquisition was approximately \$720.9 million of tax pools which are available to Progress to shelter future taxable income. As a result a \$137.2 million future income tax asset was recognized on the acquisition. Using the purchase method of accounting, the net assets acquired and consideration paid were as follows:

Net assets acquired	
Working capital	3,965
Bank debt	(9,123)
Property, plant and equipment	266,625
Future income taxes	137,203
Asset retirement obligations	(5,638)
Total net assets acquired	393,032
Consideration	
Cash	523,166
Proceeds of asset disposition	(134,400)
Acquisition costs	4,266
Total purchase price	393,032

3. PROPERTY, PLANT AND EQUIPMENT

	September 30 2008	December 31 2007
Property, plant and equipment	1,531,635	1,447,181
Conversions of exchangeable shares	50,836	47,461
Accumulated depletion and depreciation	(549,053)	(439,588)
Property, plant and equipment, net	1,033,418	1,055,054

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 accounting for the investment in Seaview is disclosed in note 11.

On May 31, 2007 Progress acquired certain petroleum and natural gas assets in the Deep Basin region of northwest Alberta for \$40.9 million, net of final closing adjustments.

The conversion of exchangeable shares held by previous Progress Energy Ltd. shareholders to Trust units is accounted for as a step-purchase. Consequently a charge of \$3.4 million was made to property, plant and equipment for the nine months ended September 30, 2008 (2007 - \$1.2 million).

The calculation of 2008 depletion and depreciation expense included an estimated \$84.1 million for future development costs associated with proved undeveloped reserves and excluded \$26.0 million for the estimated future net realizable value of production equipment and facilities and \$108.5 million for the estimated value

of unproven properties. Depletion and depreciation expense for the three and nine months ended September 30, 2008 was \$36.0 million and \$109.5 million, respectively (2007 - \$36.7 million and \$99.6 million).

Included in the Trust's property, plant and equipment balance is \$17.6 million, net of accumulated depletion, related to asset retirement obligations (\$30.7 million before accumulated depletion) (Refer to note 6).

The Trust capitalized approximately \$2.1 million of geological and geophysical compensation costs associated with the exploration and development of capital assets during the nine months ended September 30, 2008 (2007 - \$0.6 million).

4. BANK DEBT

	September 30 2008	December 31 2007
Direct advances	12,918	1,590
Banker's acceptances	267,000	295,000
Total bank debt	279,918	296,590

At September 30, 2008 the Trust's credit facilities consisted of a \$340 million extendible revolving term credit facility and a \$35 million working capital credit facility with a syndicate of banks resulting in total credit facilities of \$375 million. The facilities are available on a revolving basis for a period of at least 364 days until May 26, 2009, and such initial term out date may be extended for further 364 day periods at the request of the Trust, subject to approval by the banks. Following the term out date, the facilities will be available on a non-revolving basis for a one year term, at which time the facilities would be due and payable. Various borrowing options are available under the facilities including prime rate based advances and banker's acceptance loans. Average cost of borrowing under these facilities for the nine months ended September 30, 2008 was 4.6 percent (2007 – 5.2 percent). The credit facilities are secured by a \$1 billion fixed and floating charge debenture on the assets of Progress Energy Ltd. and by a guarantee and subordination provided by Progress Energy Ltd. in respect of the Trust's obligations. The \$375 million borrowing base is subject to semi-annual review by the banks.

5. 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 unitholders' 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 units, a portion of the value of the conversion feature under unitholders' equity will be reclassified to unitholders' capital along with the conversion price paid.

The 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 trust units at a conversion price of \$15.00 per trust unit and \$19.50 per trust unit, respectively. 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 Trust may elect to satisfy the interest and principal obligations by the issuance of trust units.

	Nine Months Ended September 30					
	2008			2007		
Debentures	6.75%	6.25%	Total	6.75%	6.25%	Total
Principal, beginning of period	55,727	75,000	130,727	55,727	75,000	130,727
Converted to Trust Units	(60)	-	(60)	-	-	-
Principal, end of period	55,667	75,000	130,667	55,727	75,000	130,727
Debt portion, beginning of period	53,274	68,900	122,174	52,300	67,305	119,605
Accretion	384	719	1,103	379	707	1,086
Amortization of issue costs	350	487	837	350	487	837
Converted to Trust Units ¹	(57)	-	(57)	-	-	-
Debt portion, end of period	53,951	70,106	124,057	53,029	68,499	121,528
Equity portion, beginning of period	2,756	4,946	7,702	2,756	4,946	7,702
Converted to Trust Units	(3)	-	(3)	-	-	-
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 September 30, 2008 was \$2.8 million (2007 - \$2.8 million) which includes \$0.4 million of debenture accretion (2007 - \$0.4 million) and \$0.3 million of amortized issue costs (2007 - \$0.3 million).

Total interest charged to earnings for the nine months ended September 30, 2008 was \$8.3 million (2007 - \$8.3 million) which includes \$1.1 million of debenture accretion (2007 - \$1.1 million) and \$0.8 million of amortized issue costs (2007 - \$0.8 million).

6. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations were estimated based on the Trust's net ownership interest in all wells and facilities, the estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in future periods. The total undiscounted amount of the estimated cash flows required to settle the asset retirement obligations is approximately \$73.0 million which will be incurred over the next 40 years with the majority of costs incurred between 2009 and 2020. A credit adjusted risk-free rate of eight percent was used to calculate the fair value of the asset retirement obligations. The following reconciles the Trust's asset retirement obligations:

	Nine Months Ended September 30	
	2008	2007
Balance, beginning of period	35,012	24,148
Liabilities incurred	2,298	1,375
Liabilities settled	(755)	(448)
Acquisition	-	5,638
Disposition	(3,504)	-
Accretion expense	2,133	1,757
Balance, end of period	35,184	32,470

7. NON-CONTROLLING INTEREST – EXCHANGEABLE SHARES

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

	Nine months ended September 30			
	2008		2007	
	Number	Amount	Number	Amount
Exchangeable Shares				
Balance, beginning of period	9,173,083	126,384	9,642,540	122,592
Exchanged for trust units	(1,050,127)	(14,848)	(375,066)	(4,842)
Non-controlling interest expense		11,601		8,574
Balance, end of period	8,122,956	123,137	9,267,474	126,324

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

Retraction of Exchangeable Shares

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

Redemption of Exchangeable Shares

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

8. UNITHOLDERS' EQUITY

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

Unitholders' Capital

	Nine months ended September 30			
	2008		2007	
	Number	Amount	Number	Amount
Trust Units				
Balance, beginning of period	97,478,808	990,946	75,457,291	739,998
Issued for cash (<i>Note 2</i>)	-	-	21,000,000	252,000
Exchangeable shares converted	1,576,746	17,351	504,886	5,716
Unit based compensation	725,394	10,681	381,367	5,102
Issued on conversion of Debentures	4,000	60	-	-
Unit issue costs (<i>Note 2</i>)		-		(13,304)
Balance, end of period	99,784,948	1,019,038	97,343,544	989,512

On July 2, 2008, 725,394 units were issued to settle the performance units that vested at a performance factor of 1.5 times, resulting in \$10.7 million being transferred from contributed surplus to unitholders' capital.

On June 28, 2007 381,367 units were issued to settle the performance units vesting on July 2, 2008, resulting in \$5.1 million being transferred from contributed surplus to unitholders' capital.

Redemption Right

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

Net Earnings Per Unit

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Weighted average trust units - basic	99,544,037	97,297,822	98,576,066	89,943,734
Trust units issuable on conversion of exchangeable shares ¹	12,846,542	13,139,048	13,351,418	13,247,052
Performance units	791,355	498,983	1,022,481	693,118
6.75% Debentures	3,711,133	-	-	-
6.25% Debentures	3,846,154	-	-	-
Weighted average trust units - diluted	120,739,221	110,935,853	112,949,965	103,883,904

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

An adjustment to the numerator of \$6.8 million and \$11.6 million for the three and nine months ended September 30, 2008 (2007 - \$1.6 million and \$8.6 million) is required in the diluted earnings per unit calculation to provide for earnings attributable to non-controlling interest. An increase to the numerator of \$2.8 million for the three months ended September 30, 2008 is also required to provide for the earnings impact of the Debentures. Units potentially issuable on the conversion of the Debentures for the nine months ended September 30, 2008 and three and nine months ended September 31, 2007 are anti-dilutive and are not included in the calculation of diluted weighted average units.

Performance Unit Incentive Plan

The Trust has established a Performance Unit Incentive Plan (the "Plan") for employees and directors of the Trust or its subsidiary that includes both performance units and units under a long term incentive component. The number of units reserved for issuance under the Plan shall not exceed five percent of the aggregate number of issued and outstanding units of the Trust and the number of units which may be issued on the exchange of the outstanding exchangeable shares, which may be converted into trust units.

Performance Units

Under the Plan, performance units shall be granted by the Board of Directors of Progress Energy Ltd. from time to time at its sole discretion. The performance units will vest on the third anniversary of the date of grant and actual payment will be determined based on the performance of the Trust relative to its peers. For new employees hired during the year, their 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. Performance factors range from 0.5 to 1.5 times the initial performance units granted except for performance units granted to the Trust's executives effective July 2, 2007 and 2008 which can range from 0 to 3 times. Over the three year term the performance units will attract distributions. The Trust expects to pay out the distribution portion in cash while the units earned will be issued from treasury.

Long Term Incentive Component

During 2007, the Plan was modified to include a new long term incentive component ("LTI component") for non-executive employees. Awards granted under the LTI component of the Plan will vest over three years with 40 percent vesting on the second anniversary of the date of grant and 60 percent vesting on the third anniversary of the date of grant. An additional 15 percent grant will be paid if the holder holds the units received on the second anniversary date for one additional year. As at September 30, 2008, 193,243 units are outstanding under the LTI component at an average value of \$14.06 per unit, resulting in a total compensation cost of \$2.7 million of which \$2.5 million will be recognized through unit based compensation expense and \$0.2 million will be capitalized over the vesting period.

On July 2, 2008 725,394 units were issued to settle the performance units that vested at a performance factor of 1.5 times. As a result \$10.7 million was transferred from contributed surplus to unitholders' capital. Also on July 2, 2008, 543,850 performance units were granted to employees that will vest on July 2, 2011.

On June 28, 2007 381,367 units were issued to settle the performance units vesting on July 2, 2007, resulting in \$5.1 million being transferred from contributed surplus to unitholders' capital.

As at September 30, 2008 there are 1,333,900 performance units outstanding with 355,800 vesting on July 2, 2009, 444,750 vesting on July 2, 2010 and 533,350 vesting on July 2, 2011. The unit 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 and nine months ended September 30, 2008 \$2.0 million and \$6.2 million, respectively were charged to unit based compensation expense (2007 – \$2.4 million and \$6.4 million) and \$0.2 million and \$0.8 million, respectively were capitalized (2007 – \$0.3 million and \$1.0 million) relating to the total performance units and units under the LTI component outstanding.

Performance Units	Nine Months Ended September 30	
	2008	2007
Balance, beginning of period	1,388,200	1,300,717
Granted	553,750	503,650
Performance factor adjustment ¹	235,950	-
Settled	(725,394)	(381,367)
Forfeited	(118,606)	(49,700)
Balance, end of period	1,333,900	1,373,300
Vesting Date		
July 2, 2008 ¹	-	483,800
July 2, 2009 ²	355,800	402,750
July 2, 2010 ³	444,750	486,750
July 2, 2011	533,350	-
Total	1,333,900	1,373,300

(1) A performance factor of 1.5 times was realized on the performance units vesting on July 2, 2008 resulting in an additional 235,950 units being issued.

(2) Using the current anticipated performance factor of 1.5 times 533,700 units will be issued on the vesting of the 2009 performance units.

(3) Using the current anticipated performance factor of 1.25 times, 558,775 units will be issued on the vesting of the 2010 performance units

Units under LTI Component	Nine Months Ended September 30	
	2008	2007
Balance, beginning of period	189,485	-
Granted	24,238	185,999
Forfeited	(20,480)	(9,144)
Balance, end of period	193,243	176,855
Vesting Date		
2009	67,739	70,742
2010	111,166	106,113
2011	14,338	-
Total ¹	193,243	176,855

(1) An additional 15 percent grant will be paid to LTI unitholders if a unitholder holds the units they receive on the second anniversary date for one additional year. This would result in an additional 28,986 units issued by the Trust.

The following table reconciles the Trust's contributed surplus:

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Balance, beginning of period	19,225	8,810	14,468	9,210
Unit based compensation expense	1,971	2,394	6,235	6,443
Unit based compensation capitalized	119	338	612	991
Settlements	(10,681)	-	(10,681)	(5,102)
Balance, end of period	10,634	11,542	10,634	11,542

Accumulated other comprehensive income

The adoption of the new accounting policies regarding financial instruments resulted in an amount being recognized in accumulated other comprehensive income for the fair value of the Trust's natural gas derivative contracts at January 1, 2007. The amount recognized in accumulated other comprehensive income was \$10.5 million, representing the value of the asset of \$15.6 million net of future income taxes of \$5.1 million. This amount was charged to the statement of earnings over the term of the contracts with a corresponding decrease to other comprehensive income.

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Balance, beginning of period	-	2,405	-	-
Change in accounting policy, net of tax of \$5,072	-	-	-	10,543
Amortization of fair value of financial instruments, net of tax of \$868 and \$3,915, respectively	-	(1,804)	-	(9,942)
Balance, end of period	-	601	-	601

9. TAXES

On June 12, 2007 the federal government's bill regarding the taxation of distributions from trusts beginning January 1, 2011 became substantively enacted. As a result, a recovery of \$6.6 million was recognized in the future income tax provision for the nine months ended September 30, 2007 on the recognition of a \$6.6 million future income tax asset in the Trust.

10. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Accounts receivable	12,691	6,162	2,970	30,277
Prepaid expenses and deposits	(1,691)	189	(6,368)	(1,494)
Accounts payable	6,133	(8,058)	2,703	(22,436)
Current income taxes payable	(30)	12	-	42
Change in non-cash working capital	17,103	(1,695)	(695)	6,389
Relating to:				
Investing activities	7,726	(9,300)	(6,063)	(8,788)
Operating activities	9,377	7,605	5,368	15,177

Interest and taxes paid

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Interest paid	6,348	6,118	17,400	15,489
Income and other taxes paid	30	17	39	66

11. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The Trust's financial instruments recognized on the balance sheet consist of accounts receivable, investments, accounts payable and accrued liabilities, bank debt, convertible debentures and derivative natural gas contracts ("financial instruments"). The fair value of these instruments, excluding the investments, convertible debentures and the derivative natural gas contracts, approximate their carrying amounts due to their short terms to maturity or the indexed rate of interest on the bank debt. The fair value of the convertible debentures outstanding as at September 30, 2008 was approximately \$130.5 million (2007 - \$130.0 million). The fair value of the natural gas contracts is recognized on the balance sheet as described below.

On June 26, 2008 Progress disposed of its Saskatchewan properties to 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, will be measured at fair market value each reporting period. Based on Seaview's closing trading price on September 30, 2008 of \$2.70 per share, a loss of \$12.9 million and \$1.2

million was recognized for the three and nine months ended September 30, 2008 on the revaluation of the shares to \$22.4 million at September 30, 2008. Progress also has an investment in a private company which was revalued at \$1.3 million from \$4.1 million based on a purchase and sale agreement entered into subsequent to September 30, 2008. The \$2.7 million unrealized loss is included in the unrealized loss on investments on the consolidated statement of earnings for the three and nine months ended September 30, 2008.

Commodity Price Contracts

The Trust has entered into several derivative natural gas financial instruments for the purpose of protecting its cash flow from operations before changes in non-cash working capital from the volatility of natural gas prices. For the three months ended September 30, 2008, the Trust's natural gas price risk management program had a net realized loss of \$10.4 million (2007 - \$6.3 million net gain). For the nine months ended September 30, 2008, the Trust's natural gas price risk management program had a net realized loss of \$19.9 million (2007 - \$13.5 million net gain).

On January 1, 2007 Progress adopted the new accounting standards regarding the recognition, measurement, disclosure and presentation of financial instruments. In conjunction with the adoption of these new standards, the Trust elected not to use hedge accounting for its natural gas derivative contracts under its risk management program. The fair value of the commodity contracts is recognized at each reporting period with the change in the fair value being classified as an unrealized gain or loss on the statement of earnings. On January 1, 2007 the fair value of the commodity price contracts was an asset of \$15.6 million and resulted in an increase to accumulated other comprehensive income and the future income tax liability of \$10.5 million and \$5.1 million, respectively. The \$10.5 million recognized in accumulated other comprehensive income was amortized over the term of the contracts through other comprehensive income with a corresponding unrealized gain on financial instruments on the statement of earnings. As a result, for the three months ended September 30, 2007 \$1.8 million, net of tax, was charged to other comprehensive income with a corresponding unrealized gain on financial instruments of \$2.7 million and a charge to future income tax expense of \$0.9 million. For the nine months ended September 30, 2007 \$9.9 million, net of tax, was charged to other comprehensive income with a corresponding unrealized gain on financial instruments of \$14.7 million and a charge to future income tax expense of \$4.8 million.

At September 30, 2008 the fair value was an asset of \$12.7 million (2007 - \$2.6 million), resulting in an unrealized gain for the three and nine months ended September 30, 2008 of \$57.0 million and \$12.7 million, respectively (2007 - \$0.6 million unrealized loss and \$1.7 million unrealized gain, respectively, net of the amortization of accumulated other comprehensive income).

Contracts outstanding in respect to financial instruments are as follows:

Natural Gas Contracts ⁽¹⁾	Volume	Pricing Point	Strike Price \$/gj ⁽¹⁾	Cost/Premium	Term
Fixed Price Swap	10,000 gj/d	AECO	\$6.70	-	April 01/08 to Oct 31/08
Fixed Price Swap	10,000 gj/d	AECO	\$6.78	-	April 01/08 to Oct 31/08
Swap - call spread	10,000 gj/d	AECO	\$7.50 - \$8.50	\$0.365/gj	April 01/08 to Oct 31/08
Swap - call spread	10,000 gj/d	AECO	\$7.39 - \$8.39	\$0.370/gj	April 01/08 to Oct 31/08
Swap - call spread	10,000 gj/d	AECO	\$7.095 - \$8.095	\$0.355/gj	April 01/08 to Oct 31/08
Swap - call spread	10,000 gj/d	AECO	\$7.13 - \$8.13	\$0.355/gj	April 01/08 to Oct 31/08
Swap - call spread	10,000 gj/d	AECO	\$7.23 - \$8.23	\$0.355/gj	April 01/08 to Oct 31/08
Swap - call spread	5,000 gj/d	AECO	\$7.21 - \$8.21	\$0.360/gj	April 01/08 to Oct 31/08
Swap - call spread	5,000 gj/d	AECO	\$7.24 - \$8.24	\$0.360/gj	April 01/08 to Oct 31/08
Swap - call spread	5,000 gj/d	AECO	\$9.10 - \$12.10	\$0.840/gj	Nov 01/08 to March 31/09
Swap - call spread	5,000 gj/d	AECO	\$9.40 - \$12.40	\$0.900/gj	Nov 01/08 to March 31/09
Swap - call spread	5,000 gj/d	AECO	\$9.42 - \$12.42	\$0.920/gj	Nov 01/08 to March 31/09
Swap - call spread	5,000 gj/d	AECO	\$9.64 - \$12.64	\$0.930/gj	Nov 01/08 to March 31/09
Swap - call spread	10,000 gj/d	AECO	\$10.89 - \$13.89	\$0.890/gj	Nov 01/08 to March 31/09
Swap - call spread	5,000 gj/d	AECO	\$11.40 - \$14.40	\$0.900/gj	Nov 01/08 to March 31/09

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

SELECTED QUARTERLY INFORMATION

FINANCIAL HIGHLIGHTS

(\$ thousands except per unit amounts)	2007				2008		
	March 31	June 30	Sept 30	Dec 31	March 31	June 30	Sept 30
Income Statement							
Petroleum and natural gas revenue	85,477	108,503	88,480	99,592	123,075	149,699	143,026
Cash flow ¹	53,080	58,398	48,085	54,727	68,115	77,955	72,144
Per unit - diluted	0.60	0.53	0.43	0.49	0.61	0.69	0.62
Cash distributions declared	24,831	29,092	30,987	29,232	29,365	29,548	32,965
Per unit	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Net earnings	16,425	31,947	11,909	9,922	8,034	28,631	52,461
Per unit - basic	0.22	0.33	0.12	0.10	0.08	0.29	0.53
Per unit - diluted	0.22	0.33	0.12	0.10	0.08	0.29	0.51
Payout Ratio							
Excluding exchangeable shares	47%	50%	64%	53%	43%	38%	46%
Including exchangeable shares	54%	56%	73%	61%	49%	43%	51%
Balance Sheet							
Capital expenditures	43,601	445,197	23,433	54,174	41,528	13,448	54,223
Total debt	252,000	410,696	417,678	444,223	447,531	377,773	408,960
Unitholders' equity	689,909	933,606	916,357	900,806	887,206	897,756	922,309
Trust Units (thousands, except where otherwise stated)							
Units outstanding, end of period	75,799	97,262	97,344	97,479	98,016	98,784	99,785
Units issuable for exchangeable shares	12,665	12,859	13,093	13,302	13,110	12,627	12,613
Total units outstanding and issuable for exchangeable shares, end of period	88,464	110,121	110,437	110,781	111,126	111,411	112,398
Weighted average units – diluted ²	89,039	109,965	110,936	111,413	112,144	112,663	113,182
Exchange ratio, end of period	1.34944	1.37885	1.41278	1.45015	1.48845	1.52131	1.55282
Trust Unit Trading Statistics (\$)							
High	13.29	15.79	13.44	12.25	13.40	15.70	15.95
Low	11.00	12.76	10.96	9.92	10.13	12.14	11.12
Closing	13.07	12.93	12.03	10.85	12.80	14.55	12.05
Unit volume traded (thousands)	23,116	23,310	25,679	20,726	20,341	18,328	23,931
Exchangeable Shares Trading Statistics (\$)							
High	17.50	20.50	18.15	17.00	18.75	24.00	24.25
Low	14.84	17.90	15.01	14.50	15.00	18.50	17.01
Closing	17.60	18.60	16.51	15.15	18.50	22.00	20.00
Share volume traded (thousands)	13	27	92	104	27	68	15

¹ Refer to discussion in the Management Discussion and Analysis

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

SELECTED QUARTERLY INFORMATION

OPERATIONAL HIGHLIGHTS

	Three Months Ended						
	March 31	2007			2008		
		June 30	Sept 30	Dec 31	March 31	June 30	Sept 30
Daily Production							
Natural gas (mcf/d)	94,351	127,255	120,804	123,740	127,667	120,971	126,265
Crude oil (bbls/d)	2,118	2,134	2,268	2,068	2,186	1,976	2,027
Natural gas liquids (bbls/d)	1,379	1,485	1,370	1,548	2,052	1,667	1,712
Total daily production (boe/d)	19,222	24,828	23,772	24,240	25,515	23,805	24,783
Average Realized Prices							
Natural gas (\$/mcf)	7.88	7.52	5.76	6.47	7.96	10.21	9.12
Crude oil (\$/bbl)	62.15	68.37	78.77	81.67	89.86	117.72	114.06
Natural gas liquids (\$/bbl)	55.08	60.51	62.91	71.51	65.15	95.17	88.34
Highlights (\$/boe)¹							
Weighted average sales price ¹	49.41	48.03	40.46	44.66	53.01	69.10	62.73
Realized gain (loss) on financial instruments	4.04	0.08	2.89	1.14	-	(4.35)	(4.58)
Royalties	(11.67)	(10.51)	(8.80)	(9.54)	(11.80)	(16.44)	(14.84)
Operating expenses	(6.38)	(6.57)	(6.67)	(5.91)	(5.89)	(6.39)	(6.09)
Transportation expenses	(1.60)	(1.85)	(1.96)	(1.86)	(1.99)	(2.36)	(2.01)
Operating Netbacks	33.80	29.18	25.92	28.49	33.33	39.56	35.21
Unrealized gain (loss) on investments	-	-	-	-	-	5.38	(6.84)
Other Income	-	0.09	0.01	-	-	-	-
General and administrative expense	(1.14)	(1.02)	(1.12)	(0.90)	(1.36)	(1.05)	(0.97)
Unit based compensation	(0.86)	(1.13)	(1.09)	(1.16)	(0.80)	(1.11)	(0.86)
Interest and financing expenses	(2.19)	(2.61)	(2.88)	(3.16)	(2.73)	(2.74)	(2.66)
Unrealized gain (loss) on financial instruments	(4.76)	4.65	(0.27)	(0.75)	(10.64)	(9.04)	25.00
Depletion, depreciation and accretion	(14.91)	(16.94)	(17.08)	(16.70)	(16.82)	(16.52)	(16.11)
Net earnings before taxes	9.94	12.22	3.49	5.82	0.98	14.48	32.77
Capital taxes	(0.03)	(0.02)	(0.02)	(0.01)	-	(0.01)	-
Future income taxes recovery (expense)	1.16	3.82	2.71	(0.76)	2.95	0.48	(6.78)
Non-controlling interest – exchangeable shares	(1.58)	(1.88)	(0.73)	(0.60)	(0.47)	(1.73)	(2.97)
Net earnings	9.49	14.14	5.45	4.45	3.46	13.22	23.02
Drilling Results (# of Wells)							
Gross	30	6	17	39	33	1	32
Net – natural gas	11.7	4.7	9.3	19.3	14.1	1	10.6
Net – crude oil	-	-	-	-	-	-	1.2
Success Rate (percent)	87	100	100	96	100	100	94

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

CORPORATE INFORMATION

DIRECTORS

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

Donald F. Archibald ⁽¹⁾⁽⁴⁾⁽⁵⁾
Chairman
Iteration Energy Ltd.
Calgary, Alberta

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

Howard J. Crone ⁽¹⁾⁽²⁾⁽⁴⁾⁽⁵⁾
Independent Businessman
Calgary, Alberta

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

Gary E. Perron ⁽¹⁾⁽³⁾⁽⁵⁾
Senior Vice President and
Managing Director
BMO Nesbitt Burns
Calgary, Alberta

- ⁽¹⁾ Member of Audit Committee
- ⁽²⁾ Member of Reserve Committee
- ⁽³⁾ Member of Compensation Committee
- ⁽⁴⁾ Member of Technical Services Committee
- ⁽⁵⁾ Member of Corporate Governance and Nominating Committee

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

OFFICERS

David D. Johnson
Chairman

Michael R. Culbert
President & CEO

Steven A. Allaire
Senior Vice President

Daniel C. Topolinsky
Senior Vice President, Exploration

Greg W. Kist
Vice President, Investor Relations
and Marketing

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

Gary A. Miller
Vice President, Operations

Cindy R. Rutherford
Vice President, Land

James L. Stannard
Vice President, Engineering

Gary R. Bugeaud
Secretary

CORPORATE OFFICE

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TRUSTEE AND TRANSFER AGENT

Computershare Trust Company
of Canada
Calgary, Alberta

STOCK EXCHANGE

The Toronto Stock Exchange
trading symbols:
Trust Units - PGX.UN
Exchangeable Shares – PGE
6.75% Debentures – PGX.DB
6.25% Debentures – PGX.DB.A

SOLICITOR

Burnet, Duckworth & Palmer LLP
Calgary, Alberta

AUDITOR

KPMG LLP
Calgary, Alberta

CONSULTING ENGINEERS

GLJ Petroleum Consultants Ltd.
Calgary, Alberta

INVESTOR RELATIONS

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