



Backgrounder on Progress Energy and PETRONAS Announcement

About the Agreement

PETRONAS and Progress Energy are entering into a joint venture with the intention of developing natural gas production and reserves to support a west coast liquefied natural gas (LNG) project. Under the terms of the agreement, PETRONAS will acquire from Progress Energy a 50 per cent working interest in three existing North Montney properties in return for a CDN\$1.07 billion. PETRONAS will pay 25 per cent of the total transaction value at closing and will pay 75 per cent of Progress' capital commitment under the North Montney Joint Venture over a five-year period to a maximum of \$802.5 million. PETRONAS will acquire a 50 per cent working interest in Progress' working interest acreage rights for the Altares, Lily and Kahta properties in the North Montney region comprising 149,910 net acres (74,955 net acres to each partner) with a minimal amount of production currently. Progress will continue to be the operator.

PETRONAS and Progress will also establish a LNG Export Joint Venture owned 80 per cent and 20 per cent, respectively. The LNG Export Joint Venture Parties shall undertake a feasibility study for the development and operation of an LNG facility on the west coast of British Columbia and to jointly market LNG produced at this facility to Asian markets. PETRONAS will be the operator of the LNG Export Joint Venture.

Progress Energy Resources Corp.

Progress is a Calgary, Canada-based energy company focused on exploration, development and production of large natural gas resources in northeast British Columbia and northwest Alberta. Throughout its history, Progress has a solid track record of growing reserves, production and the underlying value of the Company for its shareholders. Since its inception ten years ago, Progress has grown from approximately 3,000 boe per day of production to over 45,000 boe per day currently and has plans to more than double its production of natural gas by 2015. Common shares of Progress are listed on the Toronto Stock Exchange under the symbol PRQ.

PETRONAS

PETRONAS is the national oil and gas company of Malaysia. Incorporated in 1974 the company, ranked among the most profitable among the Fortune Global 500 entities, is engaged in the oil, gas and petrochemicals industry with strategic business assets and interests in more than 30 countries. It is one of the world's leading LNG companies and is fully involved in every value chain of the LNG business, from liquefaction and shipping to re-gasification and trading. Apart from its Malaysian production facility, currently one of the world's largest, PETRONAS also owns interests in LNG assets in Australia, Egypt and the United Kingdom.

Shale Gas

Shale gas is natural gas, no different than the gas used to heat homes or to generate electricity. The gas is naturally trapped in fine grained sedimentary rocks called shale or silts. Millions of years ago, the mud and silt that was deposited in ancient oceans and lakes often contained plant and animal debris. Over time, these sediments containing organic material were compacted and solidified through burial. With increasing pressure, it was formed into shale and siltstone. The organic material through the same pressure and temperature processes generated oil and gas which in many cases migrated into other rock types such as sandstones and limestones to form conventional oil and gas reservoirs. The natural gas that is retained within the shale and silts is referred to as shale gas.

The Montney Shale Gas Play

The Montney Shale Gas Play in northeast British Columbia is a world-class unconventional natural gas resource. In the North Montney where Progress operates, the formation is approximately 300 metres thick and is a shale/silt formation well suited to horizontal drilling. The North Montney area is located adjacent to the Alaska Highway and has well developed transportation and infrastructure options to move natural gas to markets.

Liquefied Natural Gas (LNG)

LNG is simply natural gas – primarily methane with small quantities of ethane and propane – that has condensed into a liquid state when cooled to minus-162.2° Celsius. At this temperature it becomes a clear, colourless, odourless liquid similar to water (although LNG weighs about half as much as water). In a well-insulated container, LNG does not require compression and yet occupies about 1/600th the volume that would be occupied by the same natural gas at atmospheric pressure and 15° C.

Since the 1960s, LNG has become an increasingly important way to transport natural gas from natural-gas-producing areas such as Indonesia, Australia, the Middle East, Africa and the Caribbean to consuming areas such as Japan, Korea, Taiwan, China, Western Europe and the United States. In addition, some natural gas companies liquefy natural gas and store it on site for use during peak demand periods.

The only LNG receiving terminal in Canada is the Canaport LNG terminal in Saint John, New Brunswick, which became operational in 2009. The largest LNG receiving terminal in North America is the Distrigas facility in Boston, Massachusetts, which has been operational since 1971.