



Progress Energy Announces Strategic Partnership with PETRONAS to Develop Montney Shale Assets

Pursuing West Coast LNG project to unlock Progress' large Montney position

CALGARY, AB – June 2, 2011 – Progress Energy Resources Corp. (“Progress” or the “Company”) (TSX:PRQ) announced today it has executed a binding framework agreement to create a strategic partnership with the Malaysian national oil company, PETRONAS, to develop a portion of Progress’ Montney shale assets in the Foothills of northeast British Columbia (the “Transaction”). Progress will sell 50 percent of its working interest in its Altares, Lily and Kahta properties (the “North Montney Joint Venture”) to PETRONAS for CDN\$1.07 billion. The agreement also reflects the desire by both parties to explore additional opportunities to develop liquefied natural gas (LNG) export capacity in British Columbia.

“This is a breakthrough transaction for Progress: the partnership we are launching will enable us to accelerate our growth strategy,” said Michael Culbert, President and Chief Executive Officer of Progress. “We are very pleased to form this long-term partnership with PETRONAS. They share our belief that our North Montney shale assets are a world-class resource that deserves significant investment. We look forward to benefitting from PETRONAS’ significant global expertise including their leadership in developing infrastructure and accessing LNG markets. As well as enhancing Progress shareholder value, this partnership will also generate substantial economic benefits for local communities and the province of British Columbia, while leveraging the environmental benefits of Canada’s abundant and clean-burning natural gas resources globally.”

Under the terms of the framework agreement, PETRONAS will pay 25 percent of the total consideration (CDN\$267.5 million) in cash at closing and 75 percent of the total consideration in the form of a capital carry whereby PETRONAS will pay 75 percent of Progress’ share of future capital expenditures in the North Montney Joint Venture over the next five years to a total of CDN\$802.5 million. The Transaction provides Progress with the capital required to accelerate the development of its unconventional assets and unlock the value underlying the Company’s vast Montney land holdings.

In addition to the above Transaction, PETRONAS and Progress will establish an LNG export joint venture (the “LNG Export Joint Venture”) to be 80 percent and 20 percent owned, respectively. The LNG Export Joint Venture will launch a feasibility study to evaluate building and operating a new LNG export facility on the West Coast of British Columbia. PETRONAS would be the operator of this facility, and PETRONAS and Progress would jointly market the LNG utilizing PETRONAS’ well-established and extensive network of customers in the largest LNG markets globally.

“Canada is poised to take a larger role on the world’s energy stage. Developing new export options for Canadian natural gas producers is a logical step in connecting our vast resources with growing Asian demand for environmentally responsible energy sources like natural gas,” said Mr. Culbert. “We look forward to working with West Coast British Columbia communities as we pursue this opportunity to build a new facility that will add value to British Columbia’s natural resources while creating considerable long-term local economic benefits.”

In connection with the LNG Export Joint Venture, PETRONAS will provide a standby equity financing commitment of up to \$600 million, for Progress’ capital requirements arising from the North Montney and LNG Export joint ventures from which Progress can draw down at the time of a successful LNG final investment decision.

The North Montney Joint Venture comprises 149,910 working interest acres in which PETRONAS will acquire a 50 percent interest and Progress will be the operator. The North Montney Joint Venture lands represent approximately 20 percent of Progress’ rights in its northeast British Columbia Foothills land holdings, which total approximately 700,000 net acres. Progress holds approximately 900,000 net acres of Montney rights over its entire British Columbia and Alberta land base, making it one of the largest Montney land rights holders. The joint venture properties include five wells with minimal production at this time.

The closing of the transaction is subject to the execution of definitive agreements and receipt of regulatory approval.

BMO Capital Markets acted as exclusive financial advisor to Progress on this transaction.

About 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 industries 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.

About Progress Energy

Progress is a Calgary, Canada-based energy company focused on exploration, development and production of large, unconventional 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. Common shares of Progress are listed on the Toronto Stock Exchange under the symbol PRQ.

Investor Conference call information:

Progress will host an investor conference call on Thursday, June 2, 2011 at 9:00 a.m., Calgary time (11:00 a.m. eastern time). Investors may participate by calling 1-888-231-8191 and referencing conference ID 72183912. Alternatively, investors may access the call through the following URL:

<http://www.newswire.ca/en/webcast/viewEvent.cgi?eventID=3559380>

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Advisory on Future Oriented Information

This press release (the "press release") contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. In particular, forward looking statements in this press release include, but are not limited to:

- *the effect of the North Montney Joint Venture on the Company's growth strategy;*
- *the economic and environmental benefits of the North Montney Joint Venture;*
- *the terms of the North Montney Joint Venture framework agreement;*
- *the effect of transactions on Progress' development of its unconventional assets and Montney land holdings;*
- *the terms of LNG Export Joint Venture;*
- *the results of the feasibility study to evaluate the building and operation of an LNG export facility;*
- *the effect of LNG Export Joint Venture on British Columbia natural resources and long term local benefits;*
- *the terms of standby equity financing commitment;*
- *Progress' business strategy, priorities and plans;*
- *the focus of capital expenditures, the timing of capital spending and the results therefrom;*
- *the focus of the Company's exploration and development efforts;*
- *potential capital investment opportunities;*
- *expected sources of capital funding; and*
- *future demand for natural gas.*

The forward-looking statements and information are based on certain key expectations and assumptions made by Progress, including expectations and assumptions concerning prevailing commodity prices and exchange rates, applicable credits, royalty rates and tax laws; the performance of existing wells; the success obtained in drilling new wells; the sufficiency of budgeted capital expenditures in carrying out planned activities; completion of definitive documentation; receipt of all required regulatory approvals; and the availability and cost of labour and services and future operating costs. Although Progress believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward looking statements and information because Progress can give no assurance that they will prove to be correct.

Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oil and gas industry in general such as operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve and resource estimates; the uncertainty of estimates and projections relating to test rates, reserves, resources, production, costs and expenses; health, safety and environmental risks; commodity price and exchange rate fluctuations; marketing and transportation; loss of markets; environmental risks; competition; incorrect assessment of the value of acquisitions; failure to realize the anticipated benefits of acquisitions; ability to access sufficient capital from internal and external sources; the risk that the North Montney Joint Venture or the LNG Export Joint Venture are not completed on the terms described or at all; failure to receive all required regulatory approvals; failure to realize the anticipated benefits of the Transaction or the LNG Joint Venture; and changes in legislation, including but not limited to tax laws, royalties and environmental regulations.

Management has included the above summary of assumptions and risks related to forward-looking information provided in this press release in order to provide security holders with a more complete perspective on the Company's future operations in respect of the North Montney Joint Venture and the LNG Export Joint Venture and such information may not be appropriate for other purposes. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that the Company will derive there from. Readers are cautioned that the foregoing lists of factors are not exhaustive. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the operations or financial results of Progress are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com). The forward-looking statements and information contained in this press release are made as of the date hereof and Progress undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.