



NEWS RELEASE

Progress Announces Second Quarter Results

***Joint Venture validates North Montney as a globally competitive asset
Emerging light oil play in the Deep Basin***

Calgary, July 28, 2011 (TSX – PRQ) – Progress Energy Resources Corp. (“Progress” or the “Company”) announced results for the second quarter of 2011 (the “Quarter”) which are consistent with the Company’s guidance. On June 2, 2011, Progress’ joint venture process came to fruition with the signing of a binding framework agreement with PETRONAS to form both an upstream North Montney Joint Venture and a downstream LNG Export Joint Venture.

“The agreement we signed with PETRONAS during the Quarter represents a transforming transaction for Progress and its shareholders,” said Michael Culbert, President and Chief Executive Officer of Progress. “This partnership, with one of the leading energy and LNG companies in the world, will position us to unlock the significant value of our North Montney assets.”

Highlights

- On June 2, 2011 executed a CDN\$1.07 billion binding framework agreement to create a strategic partnership with the Malaysian national oil company, PETRONAS;
- To date, Progress has drilled three horizontal Dunvegan light oil wells in the Deep Basin with first month rates averaging 300 boe per day per well;
- Produced 40,736 boe per day, which includes the impact of the scheduled plant turnaround at the McMahon gas processing plant;
- Generated cash flow of \$54.6 million in the Quarter or \$0.24 per share, diluted;
- Drilled a total of 3 wells (net 1.8), all in the Foothills of northeast British Columbia at Town South, Kobes and Nig and completed two wells drilled in the first quarter; one in the Deep Basin and one in the Blueberry area of the Foothills;
- As at June 30, 2011, Progress was undrawn on its \$650 million covenant-based credit facility;
- Maintained the second quarter dividend at \$0.10 per common share and declared a third quarter dividend of \$0.10 per common share.

Emerging Deep Basin Opportunity - Dunvegan Light Oil Play

Progress has drilled and completed three horizontal, 100-percent working interest Dunvegan oil wells in the Deep Basin since the fourth quarter of 2010. The first well, a 2,750 meter test, produced an average of 250 boe per day of 40° API light oil over a 30 day test period and is still producing over 100 boe per day with no water after seven months of operation. Progress’ second well expanded the play 39 kilometers to the northwest from the original test. This well, post frac, produced an average of 355 boe per day over a

30 day test period and continues to produce over 300 boe per day after three months of production. The Company's third test was recently placed on production and is expected to average 300 boe per day for the first month of production.

Assuming four wells per section, Progress has identified more than fifty Dunvegan horizontal follow-up locations on its acreage position where the Company has deeper natural gas production. In addition, the Company is evaluating another 20 net prospective sections of land within the Deep Basin. The Dunvegan formation is a pervasive package of stacked marine and fluvial Cretaceous sands ranging in thickness from one meter units to over 25 meters of reservoir. Detailed in-house geologic mapping has illustrated several productive fairways across the Company's lands where it has previously drilled deeper gas tests. A further three wells, at an all-in cost of \$4 million per well, are planned to be drilled in 2011 with the potential to accelerate the program in 2012.

In total, Progress drilled 11 wells (10.3 net) in the Deep Basin in the first half of 2011, with five wells being completed in the first quarter and one additional well being completed in the Quarter. The remaining wells are to be completed during the third quarter. Progress expects to drill a total of six wells in the Gold Creek, Wapiti and Elsworth areas over the remainder of 2011.

Progress holds a material land position covering approximately 280,000 net acres in the Deep Basin of northwest Alberta. Given the large and contiguous nature of the land base, the Company is able to test play concepts, including liquids-rich gas plays and light oil plays, and with success can quickly establish a meaningful position at lower cost than industry competitors. Progress has the proven expertise in unlocking new play types such as the Nikanassin formation for which the Company co-developed a slick-oil completion technique that is now widely used in the industry.

PETRONAS Strategic Partnership

During the Quarter, Progress executed a binding framework agreement to create a strategic partnership with the Malaysian national oil company, PETRONAS, to develop a portion of Progress' Montney assets in the Foothills of northeast British Columbia. 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 in cash and carried interest, as well as explore opportunities to develop liquefied natural gas (LNG) export capacity in British Columbia. 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 is expected to close during the third quarter of 2011.

Montney Program Update

Progress has built the industry's largest Montney land position at over 1,250 net sections, or approximately 900,000 net acres, spanning 560 kilometers from northwest Alberta to northeast British Columbia. The primary focus of the Company's Montney program remains in the Foothills of northeast British Columbia where Progress holds approximately 700,000 net acres of largely contiguous Montney rights. Progress continues to pursue the goal set out in November 2010 of doubling its production base over the next five years by developing multiple 50 mmcf per day development pods. Approximately 75 percent of the Company's capital spending in 2011 will be directed towards the Montney. Drilling plans will be focused on Progress' core development pods for the remainder of 2011, including 17 horizontal and two vertical wells.

At the Town South pod development (100 percent working interest), Progress drilled one horizontal well targeting the middle Montney in the Quarter. Town South is Progress' most developed pod to date, with 16 horizontal wells drilled since the third quarter of 2010.

At the Kobes pod development (30 percent working interest), one partner horizontal well was drilled in the Quarter and will be completed in the third quarter. The well was drilled in the southern area of the Kobes development, which is partner operated, while Progress operates the northern portion. The Kobes pod has proven to have among the strongest initial production rates in the entire Montney fairway.

At the Nig exploration block (50 percent working interest), over 25 kilometers East of Town, a partner-operated Montney well was drilled in the Quarter. The well flowed up tubing at 4.2 mmcf per day and is currently shut-in for pressure build-up. Liquids production is expected to be 25 bbls per mmcf.

Program Funding

In the first half of 2011 Progress has taken considerable steps to ensure that the Company can fund its capital program in the near and long term. During the first four months of 2011, the Company divested of non-core assets with associated production of approximately 800 boe per day for proceeds of approximately \$35 million. Upon closing of the transaction, the upfront cash proceeds from the PETRONAS strategic partnership totaling \$267.5 million will provide Progress with an immediate source funding. Additionally, Progress is undrawn on its new \$650 million covenant based credit facility which was established in the second quarter of 2011.

Financial Strength

Cash flow for the Quarter was \$54.6 million or \$0.24 per share, diluted. Capital investment was \$46 million. As at June 30, 2011, the Company was undrawn on its \$650 million revolving credit facility. Debt-to-total capitalization as at June 30, 2011 was 13 percent.

On April 29, 2011 the Company amended and restated its bank credit facility to be a covenant-based facility rather than a borrowing base facility. This facility is a 3-year extendible revolving secured facility in the amount of \$650 million from a syndicate of lenders with an initial maturity date of April 29, 2014. As Progress continues to grow its production, reserves and cash flow with the objective of doubling the size of the Company in the next five years, this new facility will provide more certainty and flexibility to fund the Company's growth program.

Progress' average gas price in the Quarter was 3.86 per thousand cubic feet ("mcf"), including the impact of the Company's hedging program. The Company's high heat content gas stream achieves a premium to AECO prices. Royalty rates averaged 13.8 percent in the Quarter as a result of lower natural gas prices and the impact of higher royalty incentives. Operating costs averaged \$5.75 per boe, or \$0.96 per mcf, in the Quarter reflecting the Company's continued focus on operational efficiencies and maximization of volumes through existing facilities and includes the impact associated with the planned outage at the McMahon gas processing facility.

In the first half of 2011, Progress entered into a series of hedges on a portion of its natural gas production buying puts on 30,000 gigajoule ("GJ") per day at a net floor of \$3.43 per GJ. The Company now has 60,000 GJ per day or approximately 22 percent of its natural gas production hedged at a net floor of approximately \$3.41 per GJ or approximately \$3.90 per mcf, based on Progress' high heat content gas, for the period from May 1, 2011 to October 31, 2011. The Company also entered into a

series of AECO basis swaps on 40,000 million British Thermal Units ("mmbtu") per day for 2011 at a net differential of US\$0.50 per mmbtu and on 40,000 mmbtu per day for 2012 at a net differential of US\$0.62 per mmbtu.

Third Quarter Dividend and Dividend Reinvestment Program

The Board of Directors of Progress today announced that the third quarter eligible dividend will be maintained at \$0.10 per share. The eligible dividend will be payable on October 17, 2011 to common shareholders of record as of September 30, 2011. The ex-dividend date is expected to be September 28, 2011. Based on the July 27, 2011 closing share price on the Toronto Stock Exchange of \$13.46, this represents an annualized yield of approximately three percent. The amount of future cash dividends, if any, is subject to the discretion of the Progress Board of Directors.

Progress has a dividend reinvestment plan (the "DRIP") that allows eligible shareholders of Progress to direct that their cash dividends be reinvested in additional common shares which, when issued from treasury, will be issued at 95 percent of the Average Market Price (as defined in the DRIP) on the applicable dividend payment date. A registered shareholder who wishes to enroll in the DRIP may do so by contacting Computershare Trust Company of Canada, the Plan Agent. Beneficial shareholders who wish to participate in the DRIP should contact the broker or other nominee through which their common shares are held to provide appropriate enrollment instructions and to ensure any deadlines or other requirements that such broker or nominee may impose or be subject to are met.

Outlook

Our 2011 capital program has been established at \$350 million and is expected to result in year-over-year production growth of approximately 13 percent. Production is projected to exit 2011 at between 50,000 and 52,000 boe per day, before the impact of dispositions. We have a current productive capability of approximately 45,000 boe per day .

The focus of our capital program for the remainder of the year will be the continued advancement of our highly economic Montney pod developments at Town South, Town North, Gundy and Kobes. Additionally, activity on our North Montney Joint Venture lands in the Altares, Lily and Kahta areas will commence upon closing of the strategic partnership in the third quarter of 2011. We will continue to take advantage of the factors that make the North Montney attractive; the natural gas we produce is sweet and therefore does not require expensive sour gas processing; we attract a deep drilling royalty credit of approximately \$2.1 million per well; and, we produce approximately 20 barrels per million cubic feet of high-value natural gas liquids. Along with our experience in the area, evolving drilling and completions technologies and strong initial production rates and recoveries, we are well positioned to deliver value for shareholders.

Natural gas prices weakened through the second quarter of 2011, a period when demand is typically low due to moderate temperatures; however heat in early June demonstrated that non-normal weather has the ability to significantly increase prices. We remain optimistic about the long-term prospects for natural gas in North America and increasingly view the natural gas market as a global, rather than regional, marketplace. As demonstrated by our LNG Export Joint Venture with PETRONAS, the resource potential of northeast British Columbia is globally recognized and supply from a stable OECD country is highly prized by Asian consumers. Momentum is building for the large scale development of LNG facilities on the West Coast, which will enable Progress to target more attractive markets.

Progress is well positioned to execute on its growth plans. We have a strong balance sheet with no bank debt as at the end of the Quarter, an undrawn credit facility and expect to receive an upfront CDN\$267.5 million cash payment upon closing of our strategic partnership with PETRONAS. These financial levers

provide immediate and ongoing funding for our growth strategy. Non-core asset dispositions and the standby equity financing component of our strategic partnership with PETRONAS provide further support in the long term.

Consolidated Financial Statements and MD&A

Second Quarter 2011 Consolidated Financial Statements and Notes to the Consolidated Financial Statements and Management's Discussion and Analysis for Progress Energy Resources Corp. have been filed on SEDAR (www.sedar.com) under Progress Energy Resources Corp. and can also be accessed on the Company's website at www.progressenergy.com.

Progress is a Calgary based, mid-size energy Company primarily focused on natural gas exploration, development and production in northwest Alberta and northeast British Columbia. Common shares of Progress are listed on the Toronto Stock Exchange under the symbol PRQ.

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	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
FINANCIAL HIGHLIGHTS				
Income Statement (\$ thousands, except per share amounts)				
Petroleum and natural gas revenue	117,340	115,859	234,455	229,330
Cash flow ¹	54,618	51,215	117,940	98,018
Per share – diluted	0.24	0.24	0.52	0.52
Cash dividends declared ²	23,184	21,945	46,271	43,360
Per share	0.10	0.10	0.20	0.20
Balance Sheet (\$ thousands)				
Working capital deficiency (surplus)	14,209	20,424	14,209	20,424
Bank debt	0	178,384	0	178,384
Convertible debentures	424,761	245,405	424,761	245,405
Total debt	438,970	444,213	438,970	444,213
Capital expenditures	46,037	38,261	186,377	159,034
OPERATIONAL HIGHLIGHTS				
Average Daily Production				
Natural gas (<i>mcf/d</i>)	209,202	226,898	221,278	203,078
Crude oil (<i>bbls/d</i>)	2,122	2,014	2,078	1,914
Natural gas liquids (<i>bbls/d</i>)	3,747	3,690	3,579	3,559
Total daily production (<i>boe/d</i>)	40,736	43,520	42,537	39,319
Average Realized Prices				
Natural gas (<i>\$/mcf</i>)	3.91	4.03	3.88	4.57
Crude oil (<i>\$/bbl</i>)	99.21	72.97	91.27	74.09
Natural gas liquids (<i>\$/bbl</i>)	66.57	56.40	67.18	54.62
Wells Drilled, Net	1.8	2.7	24.5	28.4

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

(2) The dividends declared include distributions and dividends that grantees are entitled to on the vesting of the Share Unit Plan, the Long Term Incentive Plan and Performance Unit Incentive Plan.

Advisory Regarding Forward-Looking Statements

This press release and financial highlights table (collectively 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, statements with respect to the focus of capital expenditures, the timing of capital spending and the results therefrom; payment of dividends; projections of future land holdings; completion of planned facility expansions and the timing thereof; future drilling plans and programs, the timing thereof and the results therefrom; timing of development of resources; expected commodity prices and industry conditions.

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 royalty rates and tax laws; future well production rates; reserve and resource volumes; the performance of existing wells; the success obtained in drilling new wells; and the sufficiency of budgeted capital expenditures in carrying out planned activities; 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 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; 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 securityholders with a more complete perspective on the Company's future operations 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. These forward-looking statements are made as of the date of this press release and the Company disclaims 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.

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.

Barrels of Oil Equivalent

"Boe" means barrel of oil equivalent on the basis of 1 boe to 6,000 cubic feet of natural gas. Boe's may be misleading, particularly if used in isolation. A boe conversion ratio of 1 boe for 6,000 cubic feet of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.