



NOTICE OF SPECIAL MEETING OF SECURITYHOLDERS

to be held September 15, 2010

and

NOTICE OF PETITION TO THE COURT OF QUEEN'S BENCH OF ALBERTA

and

INFORMATION CIRCULAR and PROXY STATEMENT

with respect to a

PLAN OF ARRANGEMENT

involving

MONTEREY EXPLORATION LTD.

and

PENGROWTH ENERGY TRUST

and

PENGROWTH CORPORATION

and

1551985 ALBERTA LTD.

and

THE SECURITYHOLDERS OF MONTEREY EXPLORATION LTD.

August 11, 2010

These materials are important and require your immediate attention. They require holders of common shares and options of Monterey Exploration Ltd. (collectively, "**Monterey Securityholders**") to make important decisions. If you are in doubt as to how to make such decisions, please contact your financial, legal, tax or other professional advisors. The Board of Directors of Monterey Exploration Ltd. recommends that Monterey Securityholders vote **FOR** the plan of arrangement, as described in this Information Circular, at the Special Meeting of Monterey Securityholders.

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August 11, 2010

Dear Monterey Securityholders:

You are invited to attend a special meeting (the "**Meeting**") of holders ("**Monterey Shareholders**") of common shares ("**Monterey Common Shares**") of Monterey Exploration Ltd. ("**Monterey**" or the "**Corporation**") and holders ("**Monterey Optionholders**", together with the Monterey Shareholders, the "**Monterey Securityholders**") of options ("**Monterey Options**" and, together with the Monterey Common Shares, the "**Monterey Securities**") to purchase Monterey Common Shares to be held at the Metropolitan Centre located at 333 – 4th Avenue S.W., Calgary, Alberta, on September 15, 2010 at 10:00 a.m. (Calgary time). At the Meeting, you will be asked to consider, among other matters, a proposed plan of arrangement (the "**Arrangement**") involving the Corporation, Pengrowth Energy Trust ("**Pengrowth**"), Pengrowth Corporation, 1551985 Alberta Ltd. ("**AcquisitionCo**") and the Monterey Securityholders.

The Arrangement provides that, among other things, Pengrowth will indirectly acquire all of the issued and outstanding Monterey Common Shares and the Corporation will become a wholly-owned subsidiary of Pengrowth Corporation or another entity controlled by Pengrowth. Monterey Shareholders (other than Pengrowth Corporation and those registered holders who have validly exercised their dissent rights), including holders of Monterey Options who receive Monterey Common Shares upon the exercise or deemed exercise of such Monterey Options, will receive, for each Monterey Common Share held: (i) 0.8298 of a trust unit of Pengrowth ("**Pengrowth Trust Unit**"); (ii) 0.8298 of an exchangeable share of Pengrowth Corporation ("**Pengrowth Exchangeable Shares**"), with each Pengrowth Exchangeable Share being exchangeable for one Pengrowth Trust Unit, subject to adjustment based upon distributions paid on the Pengrowth Trust Units following closing of the Arrangement and subject to the automatic conversion of such shares to Pengrowth Trust Units in connection with the conversion of Pengrowth to a dividend paying corporation; or (iii) some combination of Pengrowth Trust Units and Pengrowth Exchangeable Shares. Notwithstanding the foregoing, Tax-Exempt Shareholders, Non-Resident Holders and holders of CCPC Option Shares (all as defined in the attached information circular) will only receive Pengrowth Trust Units. The consideration to be received by Monterey Securityholders is subject, in all cases, to a maximum of 33,825,711 Pengrowth Trust Units to be issued in the aggregate, inclusive of Pengrowth Trust Units that may be issued pursuant to the Pengrowth Exchangeable Shares.

For additional details, see "*The Arrangement*", "*Plan of Arrangement*" and "*The Arrangement Agreement*" in the Information Circular and Proxy Statement (the "**Information Circular**") which accompanies this letter.

The resolution approving the Arrangement must be approved by not less than 66 $\frac{2}{3}$ % of the votes cast by Monterey Securityholders, voting together as a single class, either in person or by proxy, at the Meeting. The Toronto Stock Exchange requires that, in addition to the approval of Monterey Securityholders as required by the *Business Corporations Act* (Alberta) and the interim order of the Court of Queen's Bench of Alberta dated August 12, 2010, the Arrangement be affirmed by a simple majority of the votes cast by Monterey Shareholders present, in person or by proxy, at the Meeting. Completion of the Arrangement is also conditional upon approval by a simple majority of the votes cast by Monterey Securityholders (after excluding Monterey Securities beneficially owned or over which control or direction is exercised by such persons whose votes may not be included in determining minority approval pursuant to Multilateral Instrument 61-101 – *Protection of Minority Monterey Securityholders in Special Transactions*) at the Meeting. The Arrangement is also subject to the approval of the Court of Queen's Bench of Alberta and regulatory, stock exchange, lender and other approvals.

After considering (i) the recommendation of a special committee of independent directors (the "Special Committee") formed to consider the Arrangement, (ii) the formal valuation of the Monterey Common Shares prepared by Wellington West Capital Markets Inc., the independent valuator retained by the Special Committee, and (iii) the opinion of Cormark Securities Inc., that, as of August 10, 2010, the consideration to be received by the Monterey Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Monterey Shareholders, the Board of Directors of Monterey has unanimously determined that the Arrangement is fair, from a financial point of view, to Monterey Shareholders and is in the best interests

of Monterey and the Monterey Securityholders, has unanimously approved the Arrangement and the entering into of the Arrangement Agreement and unanimously recommends that the Monterey Securityholders vote in favour of the Arrangement Resolution (except in each case for the abstention of Mr. Christopher G. Webster, who is a director of the Corporation and a senior officer of Pengrowth Corporation). Directors, officers and key employees and their associates and affiliates who own in the aggregate approximately 14.6% of the outstanding Monterey Securities on a fully-diluted basis have entered into lock-up agreements with Pengrowth Corporation pursuant to which they have agreed to vote in favour of the Arrangement.

The Information Circular contains a detailed description of the Arrangement. Please give this material your careful consideration and, if you require assistance, consult your financial, tax or other professional advisors. If you are unable to attend the Meeting in person, please complete and deliver the form of proxy, in the case of registered Monterey Securityholders, or voting instruction form, in the case of Monterey Securityholders who hold their Monterey Securities indirectly through a broker or other intermediary, which is enclosed in order to ensure your representation at the Meeting.

Also enclosed is a letter of transmittal and election form containing complete instructions on how to exchange your Monterey Common Shares. You should complete the accompanying letter of transmittal and election form and deliver the completed document, together with the certificate or certificates representing your Monterey Common Shares, to Alliance Trust Company (in accordance with the instructions set forth in the letter of transmittal), to facilitate delivery of the Pengrowth Trust Units or Pengrowth Exchangeable Shares that will be issued to you upon the completion of the Arrangement. If you hold your Monterey Common Shares through a broker or other nominee, you will need to provide instructions to your broker or other nominee to complete the letter of transmittal. **In order for your election for Pengrowth Trust Units or Pengrowth Exchangeable Shares to be effective, your letter of transmittal and election form together with certificates representing Monterey Common Shares must be validly completed, duly executed and returned to Alliance Trust Company, by 5:00 p.m. (Calgary time) on September 13, 2010, or if the Meeting is adjourned or postponed, by 5:00 p.m. (Calgary time) on the second business day immediately prior to the date of such adjourned or postponed Meeting.**

On behalf of the board of directors of Monterey Exploration Ltd., I would like to express our gratitude for the ongoing support our securityholders have demonstrated with respect to our decision to take part in this important event in the history of the Corporation. We would also like to thank our employees who have worked very hard assisting us with this task and for providing their support for the proposed transaction.

Yours truly,

(signed) "*Patrick D. Manuel*"
Patrick D. Manuel
President and Chief Executive Officer
Monterey Exploration Ltd.

MONTEREY EXPLORATION LTD.**NOTICE OF SPECIAL MEETING
to be held September 15, 2010**

NOTICE IS HEREBY GIVEN that, pursuant to an order (the "**Interim Order**") of the Court of Queen's Bench of Alberta dated August 12, 2010, a special meeting (the "**Meeting**") of holders ("**Monterey Shareholders**") of common shares ("**Monterey Common Shares**") of Monterey Exploration Ltd. ("**Monterey**" or the "**Corporation**") and holders ("**Monterey Optionholders**", together with the Monterey Shareholders, the "**Monterey Securityholders**") of options ("**Monterey Options**", together with the Monterey Common Shares, the "**Monterey Securities**") to purchase Monterey Common Shares will be at the Metropolitan Centre located at 333 – 4th Avenue S.W., Calgary, Alberta on September 15, 2010, at 10:00 a.m. (Calgary time) for the following purposes:

- (a) to consider pursuant to the Interim Order and, if thought advisable, to pass, with or without variation, a special resolution (the "**Arrangement Resolution**"), the full text of which is set forth in Appendix A to the accompanying information circular and proxy statement dated August 11, 2010 (the "**Information Circular**") to approve a plan of arrangement under Section 193 of the *Business Corporations Act* (Alberta) (the "**Arrangement**"), all as more particularly described in the Information Circular; and
- (b) to transact such further and other business as may properly be brought before the Meeting or any adjournment thereof.

Specific details of the matters to be put before the Meeting are set forth in the accompanying Information Circular.

The record date for determination of Monterey Securityholders entitled to receive notice of and to vote at the Meeting is August 9, 2010. Only Monterey Securityholders whose names have been entered in the register of the Monterey Securityholders on the close of business on that date and holders of Monterey Securities issued by the Corporation after the record date and prior to the Meeting will be entitled to receive notice of and to vote at the Meeting. Monterey Securityholders who acquire their Monterey Securities after the record date (other than those issued by the Corporation) will not be entitled to vote such securities at the Meeting.

Registered holders of Monterey Securities have the right to dissent with respect to the Arrangement and to be paid the fair value of their Monterey Securities in accordance with the provisions of Section 191 of the *Business Corporations Act* (Alberta), as modified by the Interim Order. A Monterey Securityholder's right to dissent is more particularly described in the accompanying Information Circular. **Failure to strictly comply with the requirements set forth in Section 191 of the *Business Corporations Act* (Alberta), as modified by the Interim Order, may result in the loss of any right of dissent. A dissenting Monterey Securityholder must send to Monterey a written objection to the Arrangement Resolution, which written objection must be received by Monterey, c/o Burnet, Duckworth & Palmer LLP, Suite 1400, 350 - 7th Avenue S.W., Calgary, Alberta, T2P 3N9, Attention: Michael Donaldson, by 4:00 p.m. (Calgary time) on September 13, 2010 (or the business day that is two business days prior to the date of the Meeting if it is not held on September 15, 2010). Persons who are beneficial owners of Monterey Securities registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only registered holders of Monterey Securities are entitled to dissent. Accordingly, a beneficial owner of Monterey Securities who desires to exercise the right of dissent must make arrangements for the Monterey Securities beneficially owned by such holder to be registered in the holder's name prior to the time written objection to the Arrangement Resolution is required to be received by the Corporation or, alternatively, make arrangements for the registered holder of such Monterey Securities to dissent on the holder's behalf.**

A Monterey Securityholder may attend the Meeting in person or may be represented by proxy. Monterey Securityholders who are unable to attend the Meeting or any adjournment thereof in person are requested to date, sign and return the accompanying form of proxy for use at the Meeting or any adjournment thereof. To be effective, the enclosed proxy or voting instruction form must be received by Alliance Trust Company, #450, 407 – 2nd Street S.W., Calgary, Alberta, T2P 2Y3, at least 48 hours (excluding Saturdays, Sundays and holidays) prior to the time set for the Meeting or any adjournment thereof. The time limit for the deposit of

proxies may be waived by the Board of Directors of the Corporation at its discretion, without notice. A person appointed as proxyholder need not be a Monterey Shareholder.

Registered Monterey Shareholders are those persons who are named as owners of Monterey Common Shares on the register of Monterey Shareholders maintained by Monterey's registrar and transfer agent (the "Register of Shareholders"). A significant number of persons who beneficially own Monterey Common Shares hold those Monterey Common Shares in a brokerage account or through some other intermediary. In almost all cases, a person whose Monterey Common Shares are held through a broker (or other intermediary) will not appear as the registered holder of such Monterey Common Shares on the Register of Shareholders. Non-registered Monterey Shareholders (i.e., persons whose Monterey Common Shares are not held in their own name) do not have the same legal rights as registered Monterey Shareholders in respect of shareholder meetings (including the right to vote directly at shareholder meetings and to appoint a proxyholder), and non-registered Monterey Shareholders are required to act through their broker (or other intermediary) in order to have their Monterey Common Shares voted. Non-registered Monterey Shareholders should refer to the information set out under the heading "*General Proxy Matters*" in the Information Circular.

Dated at the City of Calgary, in the Province of Alberta, this 12th day of August, 2010.

**BY ORDER OF THE BOARD OF DIRECTORS OF
MONTEREY EXPLORATION LTD.**

(signed) "*Patrick D. Manuel*"
Patrick D. Manuel
President and Chief Executive Officer
Monterey Exploration Ltd.

**IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE OF CALGARY**

IN THE MATTER OF SECTION 193 OF THE *BUSINESS CORPORATIONS ACT*, R.S.A. 2000, c. B-9, AS AMENDED

AND IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING MONTEREY EXPLORATION LTD., PENGROWTH ENERGY TRUST, PENGROWTH CORPORATION, 1551985 ALBERTA LTD. AND SECURITYHOLDERS OF MONTEREY EXPLORATION LTD.

NOTICE OF PETITION

NOTICE IS HEREBY GIVEN that a petition (the "**Petition**") has been filed with the Court of Queen's Bench of Alberta, Judicial Centre of Calgary (the "**Court**") on behalf of Monterey Exploration Ltd. (the "**Corporation**") with respect to a proposed arrangement (the "**Arrangement**") under Section 193 of the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended (the "**ABCA**"), involving the Corporation, Pengrowth Energy Trust ("**Pengrowth**"), Pengrowth Corporation, 1551985 Alberta Ltd. ("**AcquisitionCo**") and the holders ("**Monterey Shareholders**") of common shares of the Corporation ("**Monterey Common Shares**") and the holders ("**Monterey Optionholders**", together with Monterey Common Shareholders, "**Monterey Securityholders**") of options to purchase Monterey Common Shares ("**Monterey Options**" together with Monterey Common Shares, "**Monterey Securities**"), which Arrangement is described in greater detail in the Information Circular and Proxy Statement of the Corporation dated August 11, 2010, accompanying this Notice of Petition. At the hearing of the Petition, the Corporation intends to seek:

- (a) a declaration that the terms and conditions of the Arrangement, and the procedures relating thereto, are fair to the persons affected from a substantive and procedural point of view;
- (b) an order approving the Arrangement pursuant to the provisions of Section 193 of the ABCA;
- (c) an order declaring that registered Monterey Securityholders shall have the right to dissent in respect of the Arrangement in accordance with the provisions of Section 191 of the ABCA, as modified by the interim order of the Court dated August 12, 2010;
- (d) a declaration that the Arrangement will, upon the filing of the Articles of Arrangement pursuant to the provisions of Section 193 of the ABCA, become effective in accordance with its terms and will be binding on the Corporation, Pengrowth, Pengrowth Corporation, 1551985 Alberta Ltd., AcquisitionCo and the Monterey Securityholders on and after the effective date of the Arrangement; and
- (e) such other and further orders, declarations and directions as the Court may deem just.

The Court has been advised that its final order approving the Arrangement, if granted, will constitute the basis for an exemption from the registration requirements of the *United States Securities Act of 1933*, as amended, pursuant to Section 3(a)(10) thereof, with respect to the issuance of trust units of Pengrowth and exchangeable shares of Pengrowth Corporation issuable to Monterey Securityholders pursuant to the Arrangement.

AND NOTICE IS FURTHER GIVEN that the said Petition was directed to be heard before a Justice of the Court of Queen's Bench of Alberta, 601 – 5th Street S.W., Calgary, Alberta, on the 15th day of September, 2010 at 1:00 p.m. (Calgary time), or as soon hereafter as counsel may be heard. Any Monterey Securityholder or any other interested party desiring to support or oppose the Petition, may appear at the time of the hearing in person or by counsel for that purpose. **Any Monterey Securityholder or any other interested party desiring to appear at the hearing is required to file with the Court of Queen's Bench of Alberta, Judicial Centre of Calgary, and serve upon the Corporation, on or before 4:00 p.m. (Calgary time) on September 13, 2010 (or the business day that**

is two business days prior to the date of the Meeting if it is not held on September 15, 2010), a notice of intention to appear, including an address for service in the Province of Alberta together with any evidence or materials which are to be presented to the Court. Service on the Corporation is to be effected by delivery to the solicitors for the Corporation at the address below. If any Monterey Securityholder or any other interested party does not attend, either in person or by counsel, at that time, the Court may approve the Arrangement as presented, or may approve it subject to such terms and conditions as the Court shall deem fit, without any further notice.

AND NOTICE IS FURTHER GIVEN that no further notice of the Petition will be given by the Corporation and that in the event the hearing of the Petition is adjourned only those persons who have appeared before the Court for the application at the hearing shall be served with notice of the adjourned date.

AND NOTICE IS FURTHER GIVEN that the Court, by Order dated August 12, 2010, has given directions as to the calling of a meeting of Monterey Securityholders for the purpose of such holders voting upon a resolution to approve the Arrangement and has directed that for registered holders of Monterey Securities the right to dissent with respect to the Arrangement in accordance with the provisions of Section 191 of the ABCA, as amended by such Order, shall be applicable.

AND NOTICE IS FURTHER GIVEN that a copy of the said Petition and other documents in the proceedings will be furnished to any Monterey Securityholder or other interested party requesting the same by the undermentioned solicitors for the Corporation upon written request delivered to such solicitors as follows:

Burnet, Duckworth & Palmer LLP
1400, 350 – 7th Avenue S.W.
Calgary, Alberta, T2P 3N9

Attention: Michael Donaldson

DATED at the City of Calgary, in the Province of Alberta, this 12th day of August, 2010.

**BY ORDER OF THE BOARD OF DIRECTORS OF
MONTEREY EXPLORATION LTD.**

(signed) "*Patrick D. Manuel*"
Patrick D. Manuel
President and Chief Executive Officer
Monterey Exploration Ltd.

INFORMATION CIRCULAR

Introduction

This Information Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of Monterey for use at the Meeting and any adjournments thereof. No Person has been authorized to give any information or make any representation in connection with the Arrangement or any other matters to be considered at the Meeting other than those contained in this Information Circular and, if given or made, any such information or representation must not be relied upon as having been authorized.

All summaries of, and references to, the Arrangement in this Information Circular are qualified in their entirety by reference to the complete text of the Plan of Arrangement, a copy of which is attached as Exhibit A to the Arrangement Agreement, which is attached as Appendix C to this Information Circular. **You are urged to carefully read the full text of the Plan of Arrangement.**

All capitalized terms used in this Information Circular but not otherwise defined herein have the meanings set forth under "*Glossary of Terms*". Information contained in this Information Circular is given as of August 11, 2010 unless otherwise specifically stated.

Forward-looking Statements

Certain statements contained in this Information Circular constitute forward-looking statements. These statements relate to future events or future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions.

In particular, this Information Circular contains forward-looking statements pertaining to:

- the perceived benefits of the Arrangement;
- the timing of the Meeting and the Final Order;
- the anticipated Effective Date;
- stock exchange delisting and the timing thereof;
- the treatment of Monterey Securityholders under tax laws; and
- treatment under government regulatory regimes including the *Competition Act* (Canada).

Forward-looking statements respecting:

- the perceived benefits of the Arrangement are based upon a number of facts, including the Cormark Fairness Opinion, the Valuation, the terms and conditions of the Arrangement Agreement and current industry, economic and market conditions (see "*The Arrangement – Recommendation of the Board of Directors*");
- the structure and effect of the Arrangement are based upon the terms of the Arrangement Agreement and the transactions contemplated thereby (see "*The Plan of Arrangement*" and "*The Arrangement Agreement*");
- the consideration to be received by Monterey Securityholders as a result of the Arrangement is based upon the terms of the Arrangement Agreement and the Plan of Arrangement (see "*The Plan of Arrangement*" and "*The Arrangement Agreement*");
- certain steps in, and timing of, the Arrangement are based upon the terms of the Arrangement Agreement and advice received from counsel to the Corporation relating to timing expectations (see "*The Plan of Arrangement*" and "*The Arrangement Agreement*"); and
- the effects of the Arrangement on the Corporation are based on management's current expectations regarding the intentions of Pengrowth.

By their very nature, forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Monterey believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this Information Circular should not be unduly relied upon. These statements speak only as of the date of this Information Circular.

Some of the risks that could cause results to differ materially from those expressed in the forward-looking statements include:

- inability to obtain required consents, permits or approvals, including Court approval of the Arrangement, Monterey Securityholder approval of the Arrangement and the Competition Act Approval;
- the failure to realize anticipated benefits of the Arrangement; and
- the other factors discussed under "*Risk Factors*" in this Information Circular.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this Information Circular are expressly qualified by this cautionary statement. Except as required by law, the Corporation does not undertake any obligation to publicly update or revise any forward-looking statements and readers should also carefully consider the matters discussed under the heading "Risk Factors" in this Information Circular.

Information for Monterey Securityholders in the United States

The offer and sale of the Pengrowth Trust Units and the Pengrowth Exchangeable Shares issuable to Monterey Securityholders in exchange for their Monterey Securities under the Arrangement has not been and will not be registered under the 1933 Act, and such securities are being issued in reliance upon the exemption from registration set forth in Section 3(a)(10) of the 1933 Act. The solicitation of proxies for the Meeting is not subject to the requirements of Section 14(a) of the 1934 Act. Accordingly, the solicitations and transactions contemplated in this Information Circular are made in the United States for securities of a Canadian issuer in accordance with Canadian corporate and securities laws, and this Information Circular has been prepared solely in accordance with disclosure requirements applicable in Canada. Monterey Securityholders should be aware that such requirements are different from those of the United States applicable to registration statements under the 1933 Act and proxy statements under the 1934 Act.

Specifically, information concerning the operations of Pengrowth and Monterey contained herein has been prepared in accordance with Canadian disclosure standards, which are not comparable in all respects to United States disclosure standards. The unaudited and audited financial statements of Pengrowth and Monterey (as well as other parties) incorporated by reference in this Information Circular have been prepared in accordance with Canadian GAAP, which differs from United States GAAP in certain material respects, and thus may not be comparable to financial statements of United States companies. Such financial statements of such parties other than Pengrowth have also been prepared only in accordance with Canadian auditing and auditor independence standards, which differ from United States auditing and auditor independence standards. The financial statements of Pengrowth incorporated by reference in this Information Circular have been prepared in accordance with both Canadian and United States auditing and auditor independence standards.

However, because the Pengrowth Trust Units are registered under the 1934 Act and are listed on the NYSE, Pengrowth is required to reconcile certain of its financial statements to United States GAAP. In that regard, Pengrowth has filed with the SEC an annual report on Form 40-F for the year ended December 31, 2009, which includes audited consolidated financial statements for the years ended December 31, 2009 and 2008, prepared in accordance with Canadian GAAP and reconciled to United States GAAP. In accordance with the requirements of Form 40-F, the United States GAAP reconciliation includes information on the material variations in the accounting principles, practices and methods used in preparing such financial statements from the principles, practices and methods generally accepted in the United States with respect to financial statements. In addition, Pengrowth has furnished to the SEC a report on Form 6-K that includes a reconciliation to United States GAAP of Pengrowth's interim financial statements for the six months ended June 30, 2010 and 2009. Such Form 6-K submission and

Pengrowth's Form 40-F for the year ended December 31, 2009 may be obtained for free at the SEC's website at www.sec.gov.

Oil and gas companies who account for oil and gas activities using the "full cost" method are required to apply a "ceiling test" when preparing their financial statements. A company must prepare the net capitalized costs of its oil and natural gas properties against a "ceiling value". If the net capitalized costs exceed the ceiling value, the company must record a non-cash write-down equal to the difference. Under United States GAAP, the calculation of the "ceiling value" must be made using the future net revenues from proved reserves using oil and natural gas prices in effect at the end of the applicable period discounted at ten percent. Under Canadian GAAP, the ceiling value is initially based on undiscounted future net revenues from proved reserves using forecast prices. Therefore, the maximum ceiling value attributable to oil and natural gas assets is generally lower under United States GAAP than under Canadian GAAP. Accordingly, in a low commodity price environment where expected future commodity prices exceed current commodity prices, or when material acquisitions are initially recorded using Canadian ceiling values, there is more risk of ceiling test write-down under United States GAAP. Ceiling test write-downs would not reduce Pengrowth's reported cash flow.

Data on oil and gas reserves contained or incorporated by reference in this Information Circular has been prepared in accordance with Canadian disclosure standards, which are not comparable in all respects to United States disclosure standards.

The enforcement by Monterey Securityholders of civil liabilities under the U.S. Securities Laws may be affected adversely by the fact that Pengrowth, Pengrowth Corporation and Monterey are settled or organized, as applicable, under the laws of the Province of Alberta, Canada, that some or all of their officers and directors are, or will be, residents of countries other than the United States, that some or all of the experts named in this Information Circular are residents of countries other than the United States, and that all or substantial portions of the assets of Pengrowth, Monterey and their respective subsidiaries and such Persons are or will be located outside the United States.

The Pengrowth Trust Units and Pengrowth Exchangeable Shares received by Monterey Securityholders pursuant to the Arrangement will be freely tradable under the 1933 Act, except by Persons who are "affiliates" of Pengrowth or Pengrowth Corporation after the Arrangement or were affiliates of Pengrowth or Pengrowth Corporation within 90 days prior to completion of the Arrangement. Any resale of such Pengrowth Trust Units or Pengrowth Exchangeable Shares by such an affiliate (or, if applicable, former affiliate) may be subject to the registration requirements of the 1933 Act, absent an exemption therefrom. See "*Principal Legal Matter – United States*" in this Information Circular.

Section 3(a)(10) of the 1933 Act does not exempt the issuance of securities issued upon the conversion or exchange of securities initially issued pursuant to Section 3(a)(10). Therefore, the Pengrowth Exchangeable Shares may be exchanged for Pengrowth Trust Units only pursuant to an exemption or exclusion from the registration requirements of the 1933 Act and applicable state securities laws, and prior to any such exchange Pengrowth may require the delivery of a legal opinion or other evidence reasonably satisfactory to Pengrowth to the effect that the issuance of Pengrowth Trust Units upon such exchange is not required to be registered under the 1933 Act or applicable state securities laws.

Monterey Securityholders should be aware that the Arrangement and the ownership of Pengrowth Trust Units and Pengrowth Exchangeable Shares may have material tax consequences in the United States, including, without limitation, the possibility that the Arrangement is a taxable transaction, in whole or in part, for United States federal income tax purposes. See "*Certain United States Federal Income Tax Considerations*". Monterey Securityholders are advised to consult their own tax advisors to determine the particular tax consequences to them of the Arrangement.

THE PENGROWTH TRUST UNITS AND PENGROWTH EXCHANGEABLE SHARES ISSUABLE PURSUANT TO THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR THE SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES, NOR HAS THE SEC OR THE SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES PASSED ON THE ADEQUACY OR ACCURACY OF THIS INFORMATION CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

SUMMARY INFORMATION

The following is a summary of certain information contained elsewhere in this Information Circular, including the Appendices hereto, and is qualified in its entirety by reference to the more detailed information contained or referred to elsewhere in this Information Circular or in the Appendices hereto. Terms with initial capital letters used in this summary are defined in the "Glossary of Terms". In this summary, all dollar amounts are stated in Canadian dollars.

Summary of the Arrangement

The Corporation entered into the Arrangement Agreement with Pengrowth and Pengrowth Corporation effective July 11, 2010. A copy of the Arrangement Agreement is attached as Appendix C to this Information Circular. The Arrangement Agreement provides for the implementation of the Plan of Arrangement (a copy of which is attached as Exhibit A to the Arrangement Agreement) pursuant to which, among other things, the following transactions will occur:

- Pengrowth will indirectly acquire all of the issued and outstanding Monterey Common Shares.
- The Corporation will become a wholly-owned subsidiary of Pengrowth Corporation or another entity controlled by Pengrowth.
- The consideration to be received by Monterey Securityholders is as follows:
 - Monterey Shareholders (other than Pengrowth Corporation, Tax-Exempt Shareholders, Non-Resident Holders and those registered Monterey Securityholders who have validly exercised Dissent Rights), including holders of Monterey Options who receive Monterey Common Shares upon the exercise or deemed exercise of such Monterey Options (but excluding holders of CCPC Option Shares) will receive, at their election, for their Monterey Common Shares held: (i) the Trust Unit Consideration, which is comprised of 0.8298 of a Pengrowth Trust Unit for each Monterey Common Share held; (ii) the Exchangeable Share Consideration, which is comprised of 0.8298 of a Pengrowth Exchangeable Share for each Monterey Common Share held; or (iii) some combination of the Trust Unit Consideration and the Exchangeable Share Consideration.
 - Each Monterey Option that is not exercised by the holder thereof (other than such Monterey Options of which the holders thereof have not validly exercised Dissent Rights and other than holders of CCPC Option Shares) and is outstanding immediately before the Effective Time shall be deemed to be exercised for that number of Monterey Common Shares that is equal to the Exercise Price Differential divided by the Adjusted Weighted Average Trading Price.
 - Tax-Exempt Shareholders, Non-Resident Holders and holders of CCPC Option Shares received pursuant to the exercise or deemed exercise of Monterey Options that were issued when Monterey was a "Canadian controlled private corporation" (as such term is defined in the Tax Act) will receive 0.8298 of a Pengrowth Trust Unit for each Monterey Common Share or CCPC Option Share (as the case may be) held.
 - The consideration to be received by Monterey Securityholders is subject, in all cases, to a maximum of 33,825,711 Pengrowth Trust Units to be issued in the aggregate, inclusive of Pengrowth Trust Units that may be issued pursuant to the Pengrowth Exchangeable Shares.

If the Arrangement is successfully completed, the Corporation will become an indirect wholly-owned subsidiary of Pengrowth and former holders of Monterey Securities will be entitled to receive the consideration to which they are entitled pursuant to the terms of the Arrangement.

See "*The Plan of Arrangement – Effects of the Arrangement*". For further details on the treatment of Monterey Options under the Arrangement and certain amendments made to the Monterey Option Plan in connection with the

Arrangement, See "*The Plan of Arrangement – Treatment of Monterey Options and Amendments to the Monterey Option Plan*".

The Corporation

Monterey Exploration Ltd. was continued under the laws of Alberta on December 28, 2005. The head office of the Corporation is located at Suite 1000, 500 - 4th Avenue S.W. Calgary, Alberta, T2P 2V6, and the registered office of the Corporation is located at Suite 1400, 350 - 7th Avenue S.W., Calgary, Alberta, T2P 3N9.

The Corporation does not have any subsidiaries.

As at August 11, 2010, 45,966,167 Monterey Common Shares were issued and outstanding and 3,788,166 Monterey Options entitling the holders thereof to acquire an aggregate 3,788,166 Monterey Common Shares were outstanding.

The Monterey Common Shares are listed on the TSX under the symbol "MXL".

See Appendix G – Information Concerning Monterey.

Pengrowth and Pengrowth Corporation

Pengrowth is an energy investment trust established under the laws of the Province of Alberta pursuant to the Trust Indenture. As at August 11, 2010, 291,491,910 Pengrowth Trust Units and nil Pengrowth Exchangeable Shares were issued and outstanding.

The Pengrowth Trust Units are listed on the TSX under the symbol "PGF.UN" and on the NYSE under the symbol "PGH".

Pengrowth Corporation is a corporation formed under the laws of the Province of Alberta on December 30, 1987 and is the administrator of Pengrowth. The registered office of Pengrowth Corporation is located at 2100, 222 – 3rd Avenue S.W., Calgary, Alberta, Canada, T2P 0B4.

Pengrowth Corporation presently has 1,100 common shares issued and outstanding, all of which are owned by Pengrowth.

See Appendix H – Information Concerning Pengrowth and Pengrowth Corporation.

The Meeting

The Meeting will be held at the Metropolitan Centre, located at 333 – 4th Avenue S.W., Calgary, Alberta on September 15, 2010, at 10:00 a.m. (Calgary time) for the purposes set forth in the accompanying Notice of Meeting. The business of the Meeting will be to consider and vote upon the Arrangement Resolution.

The Record Date for determining Monterey Securityholders entitled to receive notice of, and to vote at, the Meeting is August 9, 2010.

See "*General Proxy Matters – Appointment and Revocation of Proxies*".

Cormark Fairness Opinion

The Board of Directors retained Cormark as its independent financial advisor, to provide advice and assistance evaluating the Arrangement, including the fairness, from a financial point of view, of the consideration to be provided by Pengrowth to Monterey Shareholders pursuant to the Arrangement. In connection with this mandate, Cormark has prepared the Cormark Fairness Opinion. **The full text of the written Cormark Fairness Opinion, dated August 10, 2010, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Appendix D. Cormark**

provided its opinion for the information and assistance of the Monterey Board, in connection with its consideration of the Arrangement. The Cormark Fairness Opinion is not a recommendation as to how any Monterey Securityholder should vote with respect to the Arrangement or any other matter. The Cormark Fairness Opinion states that, in the opinion of Cormark as of August 10, 2010, the consideration to be received by Monterey Shareholders pursuant to the Arrangement is fair, from a financial point of view, to Monterey Shareholders. The Cormark Fairness Opinion is subject to the assumptions and limitations contained therein and should be read in its entirety.

See "*Cormark Fairness Opinion*" and Appendix D for a copy of the Cormark Fairness Opinion.

Formal Valuation

The Special Committee engaged WWCM to prepare a formal valuation of the Monterey Common Shares in accordance with the requirements of MI 61-101.

In the Valuation, WWCM determined that, as of July 11, 2010, the fair market value of the Monterey Common Shares is in the range of \$7.19 to \$9.52 per Monterey Common Share.

The Special Committee obtained the Valuation pursuant to the requirements of MI 61-101. The Valuation does not include a valuation of the Monterey Common Shares prior to giving effect to the Arrangement. A draft Valuation was provided to, and considered by, the Special Committee prior to the Corporation entering into to the Arrangement Agreement although the final Valuation which is dated August 11, 2010 was not considered by the Special Committee in making its recommendations to the Board, nor by the Board in entering into the Arrangement Agreement.

This summary is qualified in its entirety by the full text of the Valuation which sets forth the assumptions made, matters considered and limitations on the review undertaken in connection with the Valuation, and which is included at Appendix F to this Information Circular. The Valuation is not a recommendation as to how any Monterey Securityholder should vote with respect to the Arrangement or any other matter. **Monterey Securityholders are urged to read the Valuation in its entirety.**

See "*Formal Valuation*" and see Appendix F for a copy of the Valuation.

Recommendation of the Board of Directors

After considering (i) the recommendation of the Special Committee, which was formed to consider the Arrangement, (ii) the Valuation prepared by WWCM, the independent valuator retained by the Special Committee, and (iii) the Cormark Fairness Opinion prepared by Cormark Securities Inc., which states that, as of August 10, 2010, the consideration to be received by the Monterey Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Monterey Shareholders, the Board of Directors of Monterey has unanimously determined that the Arrangement is fair, from a financial point of view, to Monterey Shareholders and is in the best interests of Monterey and the Monterey Securityholders, has unanimously approved the Arrangement and the entering into of the Arrangement Agreement and unanimously recommends that the Monterey Securityholders vote in favour of the Arrangement Resolution (except in each case for the abstaining of Mr. Christopher G. Webster, who is a director of the Corporation and a senior officer of Pengrowth Corporation).

See "*The Arrangement – Benefits of the Arrangement*", "*The Arrangement – Special Committee Review and Recommendation*" and "*The Arrangement – Recommendation of the Board of Directors*".

The Arrangement Agreement

The following is a summary of certain material terms of the Arrangement Agreement and is qualified in its entirety by the full text of the Arrangement Agreement, which is attached as Appendix C to this Information Circular, and to the more detailed summary contained elsewhere in this Information Circular.

See "*The Arrangement Agreement*" and see Appendix C for a copy of the Arrangement Agreement.

Covenants, Representations and Warranties

The Arrangement Agreement contains customary covenants and representations and warranties for an agreement of this type. In addition, the Corporation has provided certain non-solicitation covenants in favour of Pengrowth.

Conditions to the Arrangement

The obligations of the Corporation and Pengrowth to complete the Arrangement are subject to the satisfaction or waiver of certain conditions set out in the Arrangement Agreement. These conditions include the receipt of Monterey Securityholder approval, Court approval and Competition Act Approval. A summary of the conditions is provided in the main body of this Information Circular under the heading "*The Arrangement Agreement - Conditions of Closing*".

Termination of Arrangement Agreement

The Arrangement Agreement may be terminated at any time prior to the Effective Date: by mutual written consent of Pengrowth and the Corporation; if the conditions to the Arrangement listed in Sections 5.1, 5.2 and 5.3 of the Arrangement Agreement are not met or waived; by Pengrowth upon the occurrence of a Pengrowth Damages Event; and by the Corporation in circumstances when it has entered into an agreement with respect to a Superior Proposal provided that it has complied with its obligations set forth in the Arrangement Agreement in respect of the Superior Proposal and has paid to Pengrowth the Pengrowth Termination Fee.

A summary of the termination provisions is provided in the main body of this Information Circular under the heading "*The Arrangement Agreement – Termination of Arrangement Agreement*".

Pengrowth Termination Fee

Under certain circumstances, the Corporation has agreed to pay to Pengrowth a termination payment of \$15 million. A summary of the circumstances where this payment is required to be made is provided in the main body of this Information Circular under the heading "*The Arrangement Agreement – Pengrowth Termination Fee*".

Procedure for the Arrangement to Become Effective

Procedural Steps

The Arrangement is proposed to be carried out pursuant to Section 193 of the ABCA. The following procedural steps must be taken in order for the Arrangement to become effective:

- (a) the Arrangement must be approved by Monterey Securityholders in the manner set forth in the Interim Order;
- (b) the Court must grant the Final Order approving the Arrangement;
- (c) all conditions precedent to the Arrangement, as set forth in the Arrangement Agreement, must be satisfied or waived by the appropriate party; and
- (d) the Final Order and Articles of Arrangement in the form prescribed by the ABCA must be filed with the Registrar.

Monterey Securityholder Approval

The resolution approving the Arrangement must be approved by not less than 66 $\frac{2}{3}$ % of the votes cast by holders of Monterey Securities, voting together as a single class, either in person or by proxy, at the Meeting. The TSX

requires that, in addition to the Monterey Securityholder approval requirement that applies under the ABCA and the Interim Order, the Arrangement be affirmed by a simple majority of the votes cast by Monterey Shareholders present, in person or by proxy, at the Meeting. Completion of the proposed Arrangement is also conditional upon approval by a simple majority of the votes cast by Monterey Securityholders after excluding Monterey Securities beneficially owned or over which control or direction is exercised by such persons whose votes may not be included in determining minority approval pursuant to MI 61-101 at the Meeting.

See "*General Proxy Matters – Procedure and Votes Required*".

Court Approval

The Arrangement requires the Court's approval of the Final Order. Prior to the mailing of this Information Circular, the Corporation obtained the Interim Order authorizing and directing the Corporation to call, hold and conduct the Meeting and to submit the Arrangement to Monterey Securityholders for approval. A copy of the Interim Order is attached as Appendix B to this Information Circular. Subject to the approval of the Arrangement Resolution by Monterey Securityholders, the hearing in respect of the Final Order is expected to take place at 1:00 p.m. on September 15, 2010 at the Court House, 601 – 5th Street S.W., Calgary, Alberta.

See "*The Arrangement – Procedure for the Arrangement Becoming Effective – Court Approval*".

Conditions Precedent

The implementation of the Arrangement is subject to a number of conditions being satisfied or waived by one or more of the Corporation and Pengrowth at or prior to the Effective Time.

See "*The Arrangement Agreement – Conditions to Closing*".

Stock Exchange Listings

The Monterey Common Shares are listed and posted for trading on the TSX. The Pengrowth Trust Units are listed and posted for trading on each of the TSX and the NYSE. On July 9, 2010, the last trading day prior to announcement of the proposed Arrangement, the closing prices of the Monterey Common Shares and Pengrowth Trust Units on the TSX were \$4.28 and \$10.28, respectively. On August 11, 2010, the closing prices of the Monterey Common Shares and Pengrowth Trust Units on the TSX were \$8.18 and \$9.99, respectively.

It is a mutual condition to completion of the Arrangement that the TSX shall have conditionally approved the listing of the Pengrowth Trust Units to be issued pursuant to the Arrangement and that the NYSE shall have approved the listing of the Pengrowth Trust Units to be issued pursuant to the Arrangement, subject to official notice of issuance. The TSX has conditionally approved the listing of Pengrowth Trust Units to be issued pursuant to the Arrangement, subject to Pengrowth fulfilling the requirements of the TSX. In addition, application has been made to list the Pengrowth Trust Units to be issued pursuant to the Arrangement on the NYSE.

See "*The Plan of Arrangement – Stock Exchange Listings*".

Competition Act Approval

The completion of the Arrangement is also subject to the receipt of Competition Act Approval, which approval is described in more detail under "*Principal Legal Matters – Other Required Approvals – Competition Act Approval*".

Dissent Rights

Pursuant to the Interim Order, registered holders of Monterey Securities have the right to dissent with respect to the Arrangement Resolution if Monterey, c/o Burnet, Duckworth & Palmer LLP, Suite 1400, 350 – 7th Avenue S.W., Calgary, Alberta, T2P 3N9, Attention: Michael Donaldson, receives by 4:00 p.m. (Calgary time) on September 13, 2010 (or the Business Day that is two Business Days prior to the date of the Meeting if it is not held on September

15, 2010), a written objection to the Arrangement Resolution and such holder complies with Section 191 of the ABCA, as modified by the Interim Order. Provided the Arrangement becomes effective, each Dissenting Monterey Securityholder will be entitled to be paid the fair value of the Monterey Securities in respect of which the holder dissents in accordance with Section 191 of the ABCA, as modified by the Interim Order. See Appendices B and E for a copy of the Interim Order and the provisions of Section 191 of the ABCA, respectively.

The statutory provisions covering the right to dissent are technical and complex. **Failure to strictly comply with the requirements set forth in Section 191 of the ABCA, as modified by the Interim Order, may result in the loss of any right to dissent. Persons who are beneficial owners of Monterey Securities registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent, should be aware that only the registered holder of such Monterey Securities is entitled to dissent.** Accordingly, a beneficial owner of Monterey Securities desiring to exercise the right to dissent must make arrangements for such Monterey Securities beneficially owned to be registered in such holder's name prior to the time the written objection to the Arrangement Resolution is required to be received by the Corporation, or alternatively, make arrangements for the registered holder to dissent on such holder's behalf. Pursuant to the Interim Order, a Registered Shareholder may not exercise the right to dissent in respect of only a portion of such holder's Monterey Securities. See "*Rights of Dissent*".

It is a condition to Pengrowth and Pengrowth Corporation's obligation to complete the Arrangement that Monterey Securityholders holding no more than 5% of the Monterey Securities shall have exercised Dissent Rights in relation to the Arrangement that have not been withdrawn as at the Effective Date.

Canadian Federal Income Tax Considerations

This Information Circular contains a summary of certain Canadian federal income tax considerations generally applicable to certain Monterey Shareholders who, under the Arrangement, ultimately dispose of one or more Monterey Shares. The following comments are qualified in their entirety by that summary. See the discussion under the section entitled "*Certain Canadian Federal Income Tax Considerations*".

Taxation of Tax-Exempt Shareholders

Pursuant to the Arrangement, Tax-Exempt Shareholders will transfer Monterey Common Shares to AcquisitionCo in exchange for Pengrowth Trust Units and will not be permitted to elect to receive Pengrowth Exchangeable Shares. Such Tax-Exempt Shareholders will generally not be liable for tax in respect of any capital gain realized on the disposition or deemed disposition of Monterey Common Shares or Pengrowth Trust Units or in respect of any distributions received from Pengrowth. Such Pengrowth Trust Units received will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered disability savings plans, registered education savings plans, deferred profit sharing plans and tax-free savings accounts.

Taxation of Monterey Shareholders Resident in Canada

A Resident Monterey Shareholder (other than a Tax-Exempt Shareholder) that exchanges Monterey Common Shares for Pengrowth Trust Units pursuant to the Arrangement will realize a capital gain (or capital loss) equal to the amount by which the fair market value of the Pengrowth Trust Units received exceeds (or is exceeded by) the adjusted cost base of the Monterey Common Shares so exchanged to the Resident Monterey Shareholder and any reasonable costs of disposition.

A Resident Monterey Shareholder (other than a Tax-Exempt Shareholder) who elects to receive Pengrowth Exchangeable Shares and Ancillary Rights in respect of any particular Monterey Common Shares will, pursuant to the Arrangement, first be considered to transfer such Monterey Common Shares to AcquisitionCo in exchange for AcquisitionCo Shares, which AcquisitionCo Shares will immediately thereafter be deemed to be transferred to Pengrowth Corporation in exchange for Pengrowth Exchangeable Shares and Ancillary Rights.

On the transfer of such Monterey Common Shares to AcquisitionCo, the Resident Monterey Shareholder will, unless such holder chooses to recognize a capital gain or capital loss in their income tax return for the taxation year during which the disposition occurs, be deemed to have disposed of such Monterey Common Shares for proceeds of

disposition equal to the Resident Monterey Shareholder's adjusted cost base thereof. The Resident Monterey Shareholder would therefore recognize neither a capital gain nor a capital loss in respect of the disposition and the adjusted cost base of their AcquisitionCo Shares would be equal to the adjusted cost base of their Monterey Common Shares. AcquisitionCo shares deemed to have been received on the exchange of Monterey Common Shares will, pursuant to the Arrangement, be deemed to be transferred to Pengrowth Corporation in exchange for Pengrowth Exchangeable Shares and the Ancillary Rights. Each Resident Monterey Shareholder who elects to receive Pengrowth Exchangeable Shares and who, therefore, is deemed to exchange AcquisitionCo Shares for Pengrowth Exchangeable Shares and Ancillary Rights is entitled to make a joint tax election with Pengrowth Corporation to defer any gain arising from the exchange of AcquisitionCo Shares for Pengrowth Exchangeable Shares and Ancillary Rights.

Taxation of Monterey Shareholders Not Resident in Canada

Pursuant to the Arrangement, Non-Resident Monterey Shareholders (other than a Non-Resident Dissenting Shareholder) will transfer their Monterey Common Shares to AcquisitionCo in exchange for Pengrowth Trust Units and will not be permitted to elect to receive Pengrowth Exchangeable Shares. A Non-Resident Monterey Shareholder generally will not be subject to tax in Canada in respect of such exchange unless such holder's Monterey Common Shares constitute "taxable Canadian property", as defined in the Tax Act, at the time of disposition and the Non-Resident Monterey Shareholder is not entitled to relief from Canadian taxation under an applicable income tax treaty or convention to which Canada is a party.

Based on representations of management of Pengrowth Corporation, provided that Pengrowth is a mutual fund trust at the Effective Time, such Pengrowth Trust Units will generally not constitute taxable Canadian property to a Non-Resident unless, at any time during the sixty (60) month period that ends at the time of disposition, the Non-Resident, persons with whom the Non-Resident does not deal at arm's length, or the Non-Resident together with all such persons, owned 25% or more of the issued units of Pengrowth.

United States Federal Income Tax Considerations

It is expected that a U.S. Holder (as defined below in the discussion under the heading "*Certain U.S. Federal Income Tax Considerations*") of Monterey Common Shares receiving Pengrowth Trust Units pursuant to the Arrangement will recognize a gain or loss equal to the difference between (i) the fair market value of the Pengrowth Trust Units and (ii) such U.S. Holder's adjusted tax basis in its Monterey Common Shares surrendered therefor. A U.S. Holder will generally take a cost basis in the Pengrowth Trust Units received equal to their fair market value on the date of the completion of the Arrangement.

The foregoing summary is qualified in its entirety by the more detailed discussion of U.S. federal income tax consequences of the Arrangement set forth under the heading "*Certain U.S. Federal Income Tax Considerations*."

Other Tax Considerations

This Information Circular does not address any tax considerations of the Arrangement other than Canadian federal income tax considerations and United States Federal Income Tax Considerations to Monterey Securityholders. Monterey Securityholders who are resident in jurisdictions other than Canada and the United States should consult their tax advisors with respect to the relevant tax implications of the Arrangement, including any associated filing requirements, in such jurisdictions. All Monterey Securityholders should also consult their own tax advisors regarding relevant provincial, territorial or state tax considerations of the Arrangement.

Risk Factors

There is a risk that the Arrangement may not be completed and if the Arrangement is not completed, the Corporation will continue to face the risks that it currently faces with respect to its affairs, business and operations and future prospects. See "*Risk Factors*".

GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Information Circular, including the Summary hereof.

"**1933 Act**" means the United States Securities Act of 1933, as amended;

"**1934 Act**" means the United States Securities Exchange Act of 1934, as amended;

"**ABCA**" means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

"**AcquisitionCo**" means 1551985 Alberta Ltd., a corporation incorporated under the ABCA and a wholly-owned subsidiary of Pengrowth Corporation;

"**AcquisitionCo Shares**" means the common shares of AcquisitionCo;

"**Acquisition Proposal**" means, with respect to Monterey, any inquiry or the making of any proposal to Monterey or the Monterey Shareholders from any Person or Persons acting "jointly or in concert" (where such phrase has the meaning ascribed thereto in Applicable Canadian Securities Laws) prior to the termination of the Arrangement Agreement or consummation of the Arrangement, as applicable, which constitutes, or may reasonably be expected to lead to (in either case whether in one transaction or a series of transactions):

- (a) any direct or indirect sale, issuance or acquisition of shares or other equity interests (or securities convertible into or exercisable for such shares or interests) in Monterey representing 20% or more of the issued and outstanding voting securities or other equity interests in Monterey;
- (b) any direct or indirect acquisition or purchase (or any lease, long-term supply agreement or other arrangement having the same economic effect as an acquisition or purchase), in a single transaction or a series of related transactions, of assets of Monterey representing 20% or more of the assets of Monterey;
- (c) an amalgamation, arrangement, merger, business combination, consolidation or other similar transaction involving Monterey;
- (d) a take-over bid, issuer bid, exchange offer, recapitalization, liquidation, dissolution, reorganization or other similar transaction involving Monterey; or
- (e) any other transaction, the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by the Arrangement Agreement or the Arrangement or which would or could reasonably be expected to materially reduce the benefits to Pengrowth under the Arrangement Agreement or the Arrangement;

except that for the purpose of the definition of "Superior Proposal", the reference in the definition of "Acquisition Proposal" to "20% or more of the issued and outstanding voting securities or other equity interests" shall be deemed to be a reference to "50% or more of the issued and outstanding voting securities or other equity interests", and clauses (b) and (e) shall not apply;

"**Adjusted Weighted Average Trading Price**" shall be determined by dividing: (i) the aggregate dollar trading value of all Pengrowth Trust Units sold on the TSX over the five consecutive trading days ending on the day preceding the Effective Date; by (ii) the total number of Pengrowth Trust Units sold on the TSX during such period; and multiplying such amount by 0.8298;

"**affiliate**" shall have the meaning ascribed thereto in Section 1.3 of National Instrument 45-106 – *Prospectus and Registration Exemptions*, as in effect on the date hereof;

"**AmalCo**" means the corporation resulting from the amalgamation described in paragraph 3.1(h) of the Plan of Arrangement;

"**Ancillary Rights**" means the optional exchange rights and voting rights granted to the trustee chosen by Pengrowth to act as trustee under the Voting and Exchange Trust Agreement for the use and benefit of the holders of Pengrowth Exchangeable Shares as contemplated by the terms of the Pengrowth Exchangeable Shares and the Voting and Exchange Trust Agreement;

"**Applicable Canadian Securities Laws**" means, collectively, and as the context may require, the applicable securities legislation of each of the provinces and territories of Canada, and the rules, regulations, instruments, orders and policies published and/or promulgated thereunder, as such may be amended from time to time prior to the Effective Date;

"**Applicable Laws**", in the context that refers to one or more Persons, means any domestic or foreign, federal, state, provincial or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Authority, and any terms and conditions of any grant of approval, permission, authority or license of any Governmental Authority, that is binding upon or applicable to such Person or Persons or its or their business, undertaking, property or securities and emanate from a Person having jurisdiction over the Person or persons or its or their business, undertaking, property or securities;

"**Arrangement**" means the arrangement involving the Corporation, Pengrowth, Pengrowth Corporation, AcquisitionCo and Monterey Securityholders, pursuant to Section 193 of the ABCA on the terms and subject to the conditions set forth herein and in the Plan of Arrangement;

"**Arrangement Agreement**" means the arrangement agreement dated effective as of July 11, 2010 among the Corporation, Pengrowth and Pengrowth Corporation, pursuant to which the Corporation, Pengrowth and Pengrowth Corporation have proposed to implement the Arrangement, a copy of which agreement is attached as Appendix C to this Information Circular, as such agreement may be further amended or amended and restated;

"**Arrangement Resolution**" means the special resolution of Monterey Securityholders, voting together as a single class, in respect of the Arrangement to be considered at the Meeting, in substantially the form attached as Appendix A to this Information Circular;

"**Articles of Arrangement**" means the articles of arrangement to be prepared by Monterey, with the cooperation, consultation and prior approval of Pengrowth, acting reasonably, as provided for in the Arrangement Agreement, in respect of the Arrangement required under Section 193 of the ABCA to be sent to the Registrar after the Final Order has been granted, giving effect to the Arrangement;

"**associate**" when used to indicate a relationship with a person or company, has the same meaning as set forth in the *Securities Act* (Alberta);

"**Business Day**" means a day other than a Saturday, Sunday or other day when banks in the city of Calgary, Alberta, are not generally open for business;

"**CCPC Option Shares**" means Monterey Common Shares that were acquired by a Monterey Shareholder on the exercise or deemed exercise of Monterey Options in circumstances such that subsection 7(1.1) of the Tax Act applied;

"**Certificate**" means the certificate or certificates or other confirmation of filing to be issued by the Registrar pursuant to subsection 193(11) of the ABCA, giving effect to the Arrangement;

"**Closing**" means the completion of the transactions contemplated in the Arrangement Agreement;

"Competition Act Approval" means either:

- (i) the issue of an advance ruling certificate under Section 102 of the Competition Act, provided that such advance ruling certificate has not been rescinded prior to the Effective Date; or
- (ii) (A) the expiry or termination of the waiting period under Section 123 of the Competition Act, or waiver by the Commissioner of Competition of the notification requirement pursuant to Section 113(c) of that Act, and
 - (B) the Commissioner of Competition advising Pengrowth, in writing, on terms satisfactory to Pengrowth Corporation in its sole discretion, acting reasonably, that she has no intention to file an application under Part VIII of the Competition Act, in connection with the transactions contemplated by this Agreement and such advice has not been rescinded prior to the Effective Date;

"Confidentiality Agreement" means the confidentiality agreement dated May 25, 2010 between Monterey and Pengrowth entered into in connection with the transactions contemplated in the Arrangement Agreement;

"Cormark" means Cormark Securities Inc.;

"Cormark Fairness Opinion" means the opinion of Cormark that the consideration to be received by Monterey Shareholders pursuant to the Arrangement is fair, from a financial point of view, to Monterey Shareholders;

"Court" means the Court of Queen's Bench of Alberta;

"Depository" means Alliance Trust Company, a trust company incorporated under the *Loan and Trust Corporations Act* (Alberta), in its capacity as depository under the Arrangement;

"Disclosure Letter" means, collectively, the disclosure letter dated July 11, 2010 from the Corporation to Pengrowth and the supplemental disclosure letter dated July 23, 2010 from the Corporation to Pengrowth;

"Dissent Rights" means the rights of dissent granted in favour of registered Monterey Securityholders in respect of the Arrangement as described in the Plan of Arrangement;

"Dissenting Monterey Optionholders" means the registered Monterey Optionholders that validly exercise the Dissent Rights;

"Dissenting Monterey Securityholders" means, collectively, Dissenting Monterey Shareholders and Dissenting Monterey Optionholders;

"Dissenting Monterey Shareholders" means the registered Monterey Shareholders that validly exercise the Dissent Rights;

"Effective Date" means the date the Arrangement is effective under the ABCA;

"Effective Time" means the time at which the Articles of Arrangement are filed with the Registrar on the Effective Date;

"Exchangeable Share Consideration" has the meaning ascribed thereto in Section 2.1(a)(i) of the Arrangement Agreement;

"Exercise Price" means the price at which a Monterey Option may be exercised;

"Exercise Price Differential" means, in respect of a Monterey Option, the amount by which the Adjusted Weighted Average Trading Price exceeds the exercise price of such Monterey Option;

"Final Order" means the order of the Court approving the Arrangement to be applied for by Monterey following the Meeting and to be granted pursuant to Subsection 193(9) of the ABCA in respect of Monterey Securityholders, Monterey, Pengrowth, Pengrowth Corporation and AcquisitionCo, as such order may be affirmed, amended or modified by the Court (with the consent of both Monterey and Pengrowth Corporation, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that such amendment is acceptable to both Monterey and Pengrowth Corporation, each acting reasonably) on appeal;

"GAAP" or **"Canadian GAAP"** means generally accepted accounting principles in Canada, consistently applied;

"Governmental Authority" has the meaning ascribed thereto in the Arrangement Agreement;

"Holder" means a registered holder of Securities immediately prior to the Effective Date or any person who surrenders to the Depository certificates representing Monterey Common Shares duly endorsed for transfer to such person;

"Income Tax Act" or **"ITA"** or **"Tax Act"** means the *Income Tax Act* (Canada), R.S.C. 1985, c. 1. (5th Supp), as amended, including the regulations promulgated thereunder, as amended from time to time;

"Information Circular" means this management information circular and proxy statement of Monterey, together with all appendices hereto;

"Interim Order" means an interim order of the Court concerning the Arrangement under Subsection 193(4) of the ABCA in respect of Pengrowth, Pengrowth Corporation, AcquisitionCo, Monterey and the Monterey Securityholders, containing declarations and directions with respect to the Arrangement and the holding of the Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

"Letter of Transmittal" means the Letter of Transmittal enclosed with this Information Circular pursuant to which a Monterey Securityholder is required to deliver certificates representing Monterey Securities, respectively in order to receive the consideration payable in respect of such Monterey Securities under the Arrangement;

"Lock-up Agreement" means an agreement entered into between Pengrowth and the directors, officers and key employees of Monterey and certain affiliates of such directors and officers that own Monterey Common Shares, pursuant to which such directors, officers, key employees and affiliates agreed with Pengrowth, among other things, to vote in favour of the Arrangement Resolution and otherwise support the transactions contemplated by the Arrangement Agreement;

"Material Adverse Change" or **"Material Adverse Effect"** means, with respect to or on Monterey or Pengrowth, as applicable, any fact or state of facts, circumstance, change, effect, occurrence or event that individually or in the aggregate is, or would reasonably be expected to be, material and adverse to the condition (financial or otherwise) business, operations, properties, licenses, affairs, assets, liabilities (contingent or otherwise), capitalization, results of operations, cash flows or prospects of Monterey, or of Pengrowth and Pengrowth Corporation, taken as a whole, as applicable, other than any such change, effect, occurrence or event relating to or resulting from:

- (a) conditions affecting the oil and gas industry generally in jurisdictions in which Monterey or Pengrowth Corporation, as applicable, carries on business, including changes in commodity prices, royalties, Applicable Laws or taxes;
- (b) general economic, financial, currency exchange, securities or commodity prices in Canada, the United States or elsewhere;
- (c) any matter which has been publicly disclosed or has been communicated in writing to Pengrowth or to Monterey, as applicable, as of the date of the Arrangement Agreement;

- (d) relating to a change in the market trading price or trading volume of the Monterey Common Shares or the Pengrowth Trust Units, as applicable, either:
 - (i) as a direct result of the Arrangement Agreement and the Arrangement or the announcement thereof; or
 - (ii) as a result of a change, effect, event or occurrence excluded from the definition of Material Adverse Effect under clauses (a), (b), (c) or (e) hereof;
- (e) any matter permitted by the Arrangement Agreement or consented to in writing by Pengrowth Corporation or Monterey, as the case may be; or
- (f) the matters set forth in the Disclosure Letter expressly stated not to be a Material Adverse Change,

provided, however, that the change or effect referred to in (a) or (b) above does not primarily relate only to (or have the effect of primarily relating only to) Monterey or Pengrowth and Pengrowth Corporation, taken as a whole, as applicable, or disproportionately affects Monterey or Pengrowth and Pengrowth Corporation, taken as a whole, as applicable, compared to other entities of similar size operating in the oil and gas exploration, exploitation, development and production industry, in which case the relevant exclusion from this definition of Material Adverse Change or Material Adverse Effect referred to above shall not be applicable;

"**Meeting**" means the special meeting of Monterey Securityholders to be held on September 15, 2010, and any adjournment(s) thereof, to consider and to vote on the Arrangement Resolution and the other matters referred to in the Notice of Meeting;

"**MI 61-101**" means Multilateral Instrument 61-101 – *Protection of Minority Securityholders in Special Transactions*;

"**Monterey**" or the "**Corporation**" means Monterey Exploration Ltd.

"**Monterey AIF**" means the annual information form of Monterey in respect of the financial year ended December 31, 2009 dated March 18, 2010;

"**Monterey Board**" or "**Monterey Board of Directors**" means the board of directors of Monterey;

"**Monterey Common Shares**" means the common shares in the capital of the Corporation;

"**Monterey Option Plan**" means the Monterey share option plan, as amended, and the agreements entered into thereunder;

"**Monterey Optionholders**" means holders from time to time of Monterey Options;

"**Monterey Options**" means options to purchase Monterey Common Shares granted pursuant to the Monterey Option Plan;

"**Monterey Securities**" means, collectively, the Monterey Common Shares and the Monterey Options;

"**Monterey Securityholders**" means, collectively, the Monterey Shareholders and the Monterey Optionholders;

"**Monterey Shareholders**" means holders from time to time of Monterey Common Shares;

"**Non-Resident**" has the meaning ascribed thereto under "*Certain Canadian Federal Income Tax Considerations – Taxation of Monterey Shareholders Not Resident in Canada*";

"**Notice of Meeting**" means the Notice of Special Meeting, which accompanies this Information Circular;

"**Notice of Petition**" means the Notice of Petition by Monterey to the Court for the Final Order which accompanies this Information Circular;

"**NYSE**" means the New York Stock Exchange;

"**Outside Date**" means November 30, 2010;

"**Parties**" means, collectively, the parties to the Arrangement Agreement, and "**Party**" means any one of them, or where implied by the context, means Pengrowth and Pengrowth Corporation, on the one hand, or the Corporation on the other hand, as applicable;

"**Pengrowth**" means Pengrowth Energy Trust, a trust formed under the laws of the Province of Alberta;

"**Pengrowth AIF**" means the annual information form of Pengrowth in respect of the financial year ended December 31, 2009 dated March 8, 2010;

"**Pengrowth Corporation**" means Pengrowth Corporation, a corporation amalgamated under the ABCA;

"**Pengrowth Damages Event**" has the meaning ascribed thereto under "*The Arrangement Agreement – Pengrowth Termination Fee*";

"**Pengrowth Exchangeable Share**" means an exchangeable share of Pengrowth Corporation, with each Pengrowth Exchangeable Share being exchangeable for one (1) Pengrowth Trust Unit, subject to adjustment based upon distributions paid on the Pengrowth Trust Unit following closing of the Arrangement and subject to automatic conversion of such shares to Pengrowth Trust Units upon the conversion of Pengrowth to a dividend paying corporation;

"**Pengrowth Termination Fee**" has the meaning ascribed thereto under "*The Arrangement Agreement – Pengrowth Termination Fee*";

"**Pengrowth Trust Unit**" means a trust unit of Pengrowth created and issued pursuant to the Trust Indenture;

"**Person**" includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate group, body corporate, corporation, unincorporated association or organization, Governmental Authority, syndicate or other entity, whether or not having legal status;

"**Plan**" or "**Plan of Arrangement**" means the plan of arrangement attached as Exhibit A to Appendix C to this Information Circular, as amended or supplemented from time to time in accordance with the terms thereof;

"**Record Date**" means the close of business on August 9, 2010;

"**Registered Monterey Shareholder**" means a registered holder of Monterey Common Shares;

"**Registrar**" means the Registrar of Corporations for the Province of Alberta appointed under Section 263 of the ABCA;

"**Regulation S**" means Regulation S under the 1933 Act;

"**Resident**" has the meaning ascribed thereto under "*Certain Canadian Federal Income Tax Considerations – Taxation of Monterey Shareholders Not Resident in Canada*";

"**SEC**" means the United States Securities and Exchange Commission;

"**Securities Act**" means the *Securities Act*, R.S.A. 2000, c. S-4, as amended;

"**SEDAR**" means the system for electronic document analysis and retrieval;

"**SIFT Rules**" has the meaning ascribed thereto under "*Certain Canadian Federal Income Tax Considerations - Taxation of Pengrowth – SIFT Rules*";

"**Special Committee**" means the special committee of the Monterey Board of Directors comprised of Messrs. John Brussa (Chairman), Don Copeland and John Eby;

"**subsidiary**" has the meaning ascribed thereto in the Securities Act (and shall include all trusts or partnerships directly or indirectly owned by Monterey or Pengrowth, as the case may be);

"**Superior Proposal**" means an unsolicited written *bona fide* Acquisition Proposal made after the date of the Arrangement Agreement from a Person (other than Pengrowth):

- (a) that in the case of paragraph 3.5(b)(v)(A) of the Arrangement Agreement the funds or other consideration necessary for the Acquisition Proposal are or are likely to be available, and in the case of paragraphs 3.5(b)(vi) and 3.5(d) of the Arrangement Agreement, that funds or other consideration necessary for the Acquisition Proposal are available, in each case as demonstrated to the satisfaction of the Monterey Board of Directors, acting in good faith;
- (b) that is capable of being completed without undue delay, taking into account all financial, legal regulatory and other aspects of such proposal and the Person making such proposal;
- (c) that did not result from or involve a breach of Section 3.5 of the Arrangement Agreement; and
- (d) in respect of which the Monterey Board of Directors determined in good faith (after the receipt of advice from their legal counsel with respect to (A) and their financial advisors with respect to (B)) that: (A) as reflected in the minutes of the Monterey Board of Directors, in the case of paragraph 3.5(b)(v)(A) of the Arrangement Agreement failure to take such action would be inconsistent with their fiduciary duties, and in the case of paragraphs 3.5(b)(vi) and 3.5(d) of the Arrangement Agreement failure to recommend such Acquisition Proposal to Monterey Shareholders would be inconsistent with their fiduciary duties, and (B) such Acquisition Proposal, taking into account all of the terms and conditions thereof, if consummated in accordance with its terms (but not assuming away any risk of non-completion), would result in a transaction more favourable to Monterey Shareholders from a financial point of view than the transactions contemplated by the Arrangement Agreement (including in each case after taking into account any modifications to the Arrangement Agreement proposed by Pengrowth as contemplated by Section 3.5(d) of the Arrangement Agreement);

"**Tax-Exempt Shareholder**" means a Monterey Shareholder that is exempt from tax under Part I of the Tax Act;

"**Transfer Agent**" means Alliance Trust Company;

"**Trust Indenture**" means the amended and restated trust indenture of Pengrowth dated July 1, 2009;

"**Trust Unit Consideration**" has the meaning ascribed thereto in Section 2.1(a)(i) of the Arrangement Agreement;

"**TSX**" means the Toronto Stock Exchange;

"**Unitholder**" means a holder of Pengrowth Trust Units;

"**United States**" and the "**U.S.**" mean the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;

"**United States GAAP**" means United States generally accepted accounting principles in effect from time to time;

"**U.S. Securities Laws**" means the federal and state securities legislation of the United States and all rules, regulations and orders promulgated thereunder, as amended, in effect from time to time;

"**Valuation**" means the formal valuation of the Monterey Common Shares, prepared by WWCM in accordance with the requirements of MI 61-101 and addressed to the Special Committee, a copy of which is attached hereto as Appendix F;

"**Voting and Exchange Trust Agreement**" means a voting and exchange trust agreement relating to the Pengrowth Exchangeable Shares to be entered into on the Effective Date having terms and conditions mutually agreeable to Pengrowth and Monterey, acting reasonably; and

"**WWCM**" means Wellington West Capital Markets Inc.

Certain other terms used herein but not defined herein are defined in the Arrangement Agreement and, unless the context otherwise requires, shall have the same meanings herein as in the Arrangement Agreement.

EXCHANGE RATE INFORMATION

All dollar amounts set forth in this Information Circular, including the Appendices hereto, are expressed in Canadian dollars, except where otherwise indicated. References to Canadian dollars, CDN\$ or \$ are to the currency of Canada and references to U.S. dollars or US\$ are to the currency of the United States.

The following table sets forth: (i) the rates of exchange for Canadian dollars, expressed in United States dollars, in effect at the end of each of the periods indicated; (ii) the average of exchange rates in effect on the first day of each month during such periods; and (iii) the high and low exchange rates during each such periods, in each case based on these rates published on the Bank of Canada's website as being in effect at approximately noon on each trading day (the "**Bank of Canada noon rate**").

	Year Ended December 31,			Six Months Ended June 30, 2010
	2009	2008	2007	
Rate at end of Period	US\$0.9555	US\$0.8166	US\$1.0120	US\$0.9429
Average rate during Period	US\$0.8757	US\$0.9381	US\$0.9304	US\$0.9673
High	US\$0.9716	US\$1.0289	US\$1.0905	US\$1.0039
Low	US\$0.7692	US\$0.7711	US\$0.8437	US\$0.9278

Note:

- (1) On August 11, 2010, the Bank of Canada noon rate was US\$0.9564 equals \$1.00.

THE ARRANGEMENT

Background to the Arrangement

Monterey management and the Monterey Board of Directors regularly review Monterey's strategic objectives and opportunities available to Monterey to ensure Monterey Shareholder value is being maximized.

At a meeting of the Monterey Board of Directors on January 12, 2010, management reviewed with the Monterey Board of Directors the recent business developments of Monterey, noting that Monterey's current focus was the exploration, development and further derisking of its lands located at Groundbirch, British Columbia. In particular, management reviewed with the Monterey Board of Directors, among other items: (i) the prior drilling success of Monterey at its Groundbirch area; (ii) the Corporation's proposed drilling program for 2010; (iii) the Corporation's anticipated future development capital requirements; (iv) the anticipated availability of financing for the Corporation's short and long term business plan; and (v) the current phase of the Corporation in its business life cycle.

At the meeting of the Monterey Board of Directors on January 12, 2010, it was highlighted that Pengrowth had recently announced an initiative to refocus its asset base on larger and more scalable resource type assets. It was noted that given Pengrowth's ownership in Monterey and given the fact that Monterey had made certain preliminary steps in defining a resource gas play at Groundbirch, Pengrowth may be interested in exploring a transaction with Monterey. The Monterey Board of Directors, in considering the matters discussed at the meeting, authorized management to entertain preliminary discussions with Pengrowth with respect to a potential transaction and asked management to report back to the Monterey Board of Directors on any developments in that regard.

The Monterey Board of Directors convened again on January 28, 2010 to review with management its ongoing negotiations with respect to financing its natural gas processing facility at Groundbirch. At the meeting, management also provided an update on its preliminary discussions with representatives of Pengrowth in respect of a potential transaction involving Monterey and Pengrowth. Management of Monterey indicated that Pengrowth would be considering the merits of a potential transaction with Monterey with its Board of Directors on January 29, 2010. Later on January 29, 2010, Mr. Evans contacted Mr. Manuel to indicate that Pengrowth was not interested in pursuing a transaction with Monterey at that time. Mr. Evans indicated, however, that Pengrowth would be interested in maintaining its current equity ownership position in Monterey in the event that Monterey were to conduct an equity financing.

The Monterey Board of Directors met on February 1, 2010 to review with management certain financing options for Monterey's 2010 budget and discussed various alternatives. After considering management's proposed 2010 budget for Monterey, Monterey's current debt position and Monterey's proposed capital expenditures for the first half of 2010 and the current share price of the Monterey Common Shares, management and the Monterey Board of Directors decided that it would be prudent to conduct an equity financing for gross proceeds in the range of \$20 million. The Monterey Board of Directors then authorized management to solicit investment banking firms with a view to conducting a bought deal equity financing. On February 2, 2010, management announced a bought deal equity financing which subsequently closed on February 19, 2010. Under the equity financing, Pengrowth acquired 952,500 Monterey Common Shares to maintain its pro rata ownership of the outstanding Monterey Common Shares.

Monterey continued with the exploration and development of its Groundbirch asset and, on April 5, 2010, announced the results of two additional successful horizontal wells. As a result of its drilling success and following an acquisition of an additional six sections of contiguous land at Groundbirch, Monterey engaged GLJ to prepare an updated reserve report and resource assessment in respect of its Groundbirch assets. The Monterey Board of Directors met again on April 28, 2010 to review and approve: (i) the results of the updated reserve report and resource assessment; (ii) a proposed agreement with AltaGas Income Trust in respect of financing Monterey's natural gas processing facility at Groundbirch; (iii) Monterey's recent acquisition of an additional six sections of contiguous land at Groundbirch; (iv) a non-core asset disposition; and (v) revised guidance for Monterey's 2010 and 2011 production and capital expenditures. A press release providing an overview of these matters was issued on the evening of April 28, 2010.

At the April 28, 2010 meeting, management indicated that with the success of its three horizontal wells at Groundbirch which had defined the natural gas play at Groundbirch, Monterey would be moving into the next phase of its business life cycle which would require significant capital spending in order to further develop the Groundbirch asset. Management also presented a powerpoint presentation which had been prepared by Cormark for purposes of discussion at the meeting of the Monterey Board of Directors. Cormark's presentation provided an overview of the typical life cycle of a resource focused exploration and production company and indicated that Monterey had completed its initial phase of accumulating, defining and derisking its key resource-style asset. Cormark highlighted that the next phase for Monterey would involve the capital spending phase whereby Monterey would need to raise significant funds in order to develop its Groundbirch asset and bring it to the free cash flow phase, anticipating that until the capital spending phase was complete, Monterey Shareholders would realize modest value creation yet at the same time, be exposed to technical, commodity, market and financial risk. As a result of this analysis, the Monterey Board of Directors authorized management to investigate possible transactions that could potentially result in greater value for Monterey Shareholders than would be realized by proceeding with the capital spending phase.

Members of the Monterey Board of Directors indicated that, given the further successful development and derisking of the Groundbirch asset that had been carried out since the prior discussions with Pengrowth, Pengrowth may be interested in pursuing discussions in respect of a transaction. As a result, the Monterey Board of Directors agreed that it would be in the best interests of Monterey if Mr. Christopher Webster, a director of Monterey and a senior officer of Pengrowth, recuse himself from the Monterey Board of Director meetings in respect of strategic alternatives until further notice. Mr. Webster concurred and indicated that he would not attend at such meetings of the Monterey Board of Directors.

On May 4, 2010, Monterey formally engaged Cormark as its financial advisor to provide assistance to Monterey in analyzing and reviewing various financial and strategic alternatives in order to enhance value for Monterey Shareholders. As part of this process, Cormark prepared a list of potentially interested parties regarding a transaction with Monterey.

A virtual data room containing confidential information about Monterey was set up on May 26, 2010. Monterey then entered into confidentiality agreements with certain interested parties and provided access to Monterey's virtual data room. Certain parties that entered into confidentiality agreements were also provided with technical presentations by management of Monterey. Monterey and Cormark then requested that interested parties submit non-binding transaction proposals to Cormark by not later than June 24, 2010.

Following a review of the transaction proposals with the Monterey Board of Directors, management provided Cormark with instructions to request that certain interested parties make their final proposals not later than June 28, 2010, including the key business terms under which such parties would be prepared to enter into a transaction with Monterey. On June 28, 2010, management and the Monterey Board of Directors met with Cormark to hear and consider the final proposals. At the meeting, the Monterey Board of Directors reviewed and discussed the final proposals received as well as Monterey's other strategic alternatives, including continuing with Monterey's current business plan or selling its key Groundbirch asset. With the assistance of Cormark and its external legal advisors, the Monterey Board of Directors considered a number of factors in determining which of the strategic alternatives would best achieve the stated objective of enhancing Monterey Shareholder value.

Following its strategic alternatives review, the Monterey Board of Directors authorized management of Monterey and Monterey's advisors, both legal and financial, to engage in discussions and negotiations with representatives of Pengrowth regarding a possible transaction involving Monterey and Pengrowth. Additionally, since any transaction involving Monterey and Pengrowth would likely constitute a "business combination" or "related party transaction" for the purposes of MI 61-101, the Monterey Board of Directors appointed the Special Committee. The mandate of the Special Committee included: (i) considering, examining and reviewing: (A) the terms and conditions of a proposed transaction involving Monterey and Pengrowth; (B) the continuation of Monterey as an oil and gas exploration and production company; and (C) the availability to Monterey of other potential transactions; (ii) supervising negotiations with Pengrowth involving the settlement of the terms, conditions, structure and other matters relating to the proposed transaction and any agreements necessary to give effect thereto; (iii) acting as the primary point of contact for Monterey in respect of the proposed transaction; (iv) advising the Monterey Board of Directors as to what recommendation should be made to Monterey Shareholders in respect of the proposed

transaction; and (v) engaging such legal counsel, financial and other advisors as the Special Committee considered appropriate. Furthermore, as any "business combination" or "related party transaction" with Pengrowth for the purposes of MI 61-101 would likely require a formal valuation of the Monterey Common Shares, the responsibilities of the Special Committee included selecting and retaining a qualified and independent valuator and supervising the preparation of a formal valuation of the Monterey Common Shares, and if necessary, a valuation of any non-cash consideration to be paid for the Monterey Common Shares.

Subsequently, Monterey and Pengrowth entered into a non-binding letter of intent on June 30, 2010, whereby Monterey and Pengrowth set forth certain of the proposed terms of a transaction to be effected by way of a plan of arrangement pursuant to the provisions of the ABCA. It was contemplated that the arrangement would result in Monterey Shareholders receiving, at the election of the Monterey Shareholders: (i) Pengrowth Trust Units; (ii) Pengrowth Exchangeable Shares; or (iii) some combination thereof.

On June 30, 2010, the Special Committee determined that, in the event that an agreement was consummated pursuant to the terms as contemplated in the non-binding letter of intent, a formal valuation would be required in respect of the Monterey Common Shares. After considering and reviewing potential candidates to act as the formal valuator, the Special Committee retained WWCM to prepare and deliver to the Special Committee a formal valuation of the Monterey Common Shares. In retaining WWCM, the Special Committee, based in part on certain representations made to it by WWCM, concluded that WWCM was independent and qualified to provide a formal valuation of the Monterey Common Shares. The Special Committee then requested that a draft valuation which had been approved by WWCM valuation committee be available for the meeting of the Special Committee during the week of July 5, 2010 to July 9, 2010.

From July 1, 2010 to July 9, 2010, Monterey's management and advisors engaged in further discussions with Pengrowth's management and advisors to negotiate the terms and conditions of the Arrangement Agreement. During that time, Pengrowth completed additional due diligence investigations in respect of Monterey. Monterey's management and advisors also met with Pengrowth's management to review Pengrowth's business plan and prospects and conducted due diligence on Pengrowth.

On July 9, 2010, the Special Committee met to consider the proposed Arrangement and entering into of the Arrangement Agreement. At the meeting, Monterey's management and external legal counsel provided a summary of the terms and conditions of the proposed Arrangement Agreement and Lock-Up Agreements. Representatives of WWCM attended the meeting of the Special Committee and delivered their verbal analysis on the Valuation and engaged in an in camera session with members of the Special Committee. Representatives of Cormark then provided a financial analysis of the proposed Arrangement to the Special Committee as well as the verbal Cormark Fairness Opinion. After considering the financial aspects and other considerations relating to the proposed transaction, including the terms of the proposed Arrangement Agreement and the directors' fiduciary duty and responsibilities to the Monterey Shareholders, the Special Committee concluded that the Arrangement was fair, from a financial point of view, to Monterey Shareholders, is in the best interests of Monterey and the Monterey Securityholders and unanimously resolved to recommend to the Monterey Board of Directors that the Monterey Board of Directors approve the Arrangement and the Arrangement Agreement and recommend that Monterey Securityholders vote in favour of the Arrangement.

Following the meeting of the Special Committee, the Monterey Board of Directors met to receive the report of the Special Committee and to hear the Special Committee's recommendation. Management of Monterey and external legal counsel provided a summary of the terms and conditions of the proposed Arrangement Agreement and Lock-Up Agreements for the benefit of the entire Monterey Board of Directors. Representatives of Cormark attended the meeting of the Monterey Board of Directors and provided the verbal Cormark Fairness Opinion for the benefit of the entire Monterey Board of Directors. The Special Committee then presented the report of the Special Committee to the Monterey Board of Directors which included a review of the matters discussed at the meeting of the Special Committee and included the Special Committee's recommendation. Upon hearing the report of the Special Committee and upon considering the directors' fiduciary duty and responsibilities to the Monterey Shareholders, the Monterey Board of Directors approved the entering into of the Arrangement Agreement, subject to certain matters to be finalized by Monterey's management and its financial and legal advisors, and unanimously determined that the Arrangement is fair, from a financial point of view, to Monterey Shareholders and is in the best interests of Monterey and the Monterey Securityholders and resolved unanimously to recommend that the Monterey

Securityholders vote in favour of the Arrangement (except in each case for the abstention of Mr. Christopher G. Webster, who is a director of the Corporation and a senior officer of Pengrowth Corporation).

On July 11, 2010, the Arrangement Agreement was executed along with the Lock-Up Agreements. A joint press release of Monterey and Pengrowth announcing the proposed Arrangement was then issued before the opening of markets on July 12, 2010.

On August 9, 2010, the Special Committee met to receive the Valuation from WWCM and to receive the Cormark Fairness Opinion and the Special Committee unanimously resolved to recommend that the Monterey Board of Directors approve the contents of this Information Circular and the sending of it to Monterey Securityholders. Later that same day, the Monterey Board of Directors met to receive the recommendations of the Special Committee and resolved to approve the contents of the Information Circular and the sending of it to the Monterey Securityholders.

Benefits of the Arrangement

The Special Committee and the Monterey Board of Directors, in recommending the Arrangement to Monterey Securityholders, believe the Arrangement provides a number of anticipated benefits to Monterey and the Monterey Securityholders including, without limitation, the following:

- (a) the total value of the consideration to be received under the Arrangement represents a premium of approximately 94% to the closing trading price of Monterey Common Shares of \$4.28 on July 9, 2010, the last trading day prior to the date of the announcement of the Arrangement;
- (b) the Arrangement provides Monterey Securityholders with an equity interest in Pengrowth, thereby providing an immediate income stream through distributions made in respect of the Pengrowth Trust Units (current yield approximately 8%);
- (c) the Arrangement provides improved liquidity for Monterey Securityholders as Pengrowth has a significantly larger market capitalization and daily average trading volumes than Monterey;
- (d) the Arrangement will enhance value for Monterey Securityholders through ongoing equity participation in Pengrowth, providing a larger and more diverse asset base with a large inventory of drilling opportunities and balanced commodity weightings (approximately 50% oil/liquids based on second quarter 2010 production); and
- (e) when compared to Monterey, Pengrowth has greater financial and technical resources available in order to develop the Groundbirch asset of Monterey, which will help ensure the long term development of the Groundbirch asset in a timely and efficient manner thereby lessening the risk to Monterey Securityholders.

Special Committee Review and Recommendation

During the course of its deliberations and in arriving at its recommendations, the Special Committee reviewed, considered and discussed numerous factors in connection with the proposed Arrangement, including but not limited to:

- (a) information concerning the business, operations, property, assets, financial condition, operating results and prospects of each of Monterey and Pengrowth;
- (b) historical information regarding: (i) the trading prices and volumes of the Monterey Common Shares and Pengrowth Trust Units; and (ii) industry forecasts regarding the prices and price trends of oil, natural gas and natural gas liquids;
- (c) current and prospective industry, economic and market conditions and trends affecting Monterey and Pengrowth;

- (d) the draft Valuation, which concluded that, as at July 9, 2010, the fair market value of the Monterey Common Shares was in the range of \$7.00 to \$9.25 (See "*Formal Valuation*");
- (e) the Cormark Fairness Opinion which concluded that as of the date of the Cormark Fairness Opinion, the consideration to be received by the Monterey Shareholders in connection with the Arrangement is fair, from a financial point of view, to the Monterey Shareholders (See "*Cormark Fairness Opinion*");
- (f) the expected benefits of the Arrangement;
- (g) the risks associated with the completion of the Arrangement, and the risks associated with not completing the Arrangement; and
- (h) the elements of the transaction that provide protection to Monterey Securityholders and the fact that the terms and conditions of the Arrangement Agreement do not prevent or unreasonably deter an unsolicited third party from proposing or making, and the Monterey Board of Directors from accepting, a Superior Proposal, provided that Monterey complies with the terms of the Arrangement Agreement.

In its review of the proposed terms of the Arrangement, the Special Committee and the Monterey Board of Directors also considered a number of elements of the transaction that provide protection to the Monterey Shareholders:

- (a) the Arrangement must be approved by at least 66⅔% of the votes cast at the Meeting by the Monterey Securityholders, voting together as a single class, present in person or represented by proxy at the Meeting;
- (b) pursuant to MI 61-101, the Arrangement must also be approved by a majority of the votes cast by the Monterey Securityholders, either in person or by proxy, after excluding the votes cast in respect of Monterey Securities beneficially owned, or over which control or direction is exercised, by Persons whose votes may not be included in determining minority approval of a business combination pursuant to MI 61-101;
- (c) the Arrangement will only become effective if, after hearing from all interested persons who choose to appear before it, the Court determines that the Arrangement is fair to the Monterey Securityholders;
- (d) the Arrangement was the preferred transaction available to Monterey and Monterey Shareholders after conducting an extensive and thorough value maximization process, which included contacting qualified prospective offerors and obtaining advice from Monterey's financial advisors and legal counsel;
- (e) under the Arrangement Agreement, the Monterey Board of Directors retains the ability to consider and respond to Superior Proposals on the specific terms and conditions set forth in the Arrangement Agreement; and
- (f) the Monterey Securityholders will be granted the right to dissent with respect to the Arrangement and receive the fair value of their Monterey Securities through a court proceeding in which a court could determine that the fair value is more than, equal to, or less than the consideration from the Arrangement.

The foregoing summary of what was considered by the Special Committee and Monterey Board of Directors is not intended to be exhaustive of all the factors that were considered in arriving at a conclusion and making the recommendations incorporated herein. Members of the Special Committee and the Monterey Board of Directors used their own knowledge of the business, financial conditions, and prospects of Monterey along with the assistance of Monterey management and Monterey's financial and legal advisors in their evaluation of the Arrangement. Given

the numerous factors that were considered in connection with evaluating the Arrangement, it is not practical to quantify or assign relative weight to specific facts relied upon by the Special Committee and Monterey Board of Directors in reaching its conclusions and recommendations. In addition, individual members of the Special Committee and the Monterey Board of Directors may have given different weight to different factors. The conclusions and recommendations of the Special Committee and the Monterey Board of Directors were arrived at after giving consideration to the totality of the information and factors involved.

Recommendation of the Monterey Board of Directors

After considering the recommendation of the Special Committee, the draft Valuation and Cormark Fairness Opinion, the Monterey Board of Directors adopted the Special Committee's recommendation, unanimously determined that the Arrangement is in the best interests of Monterey and the Monterey Securityholders, is fair, from a financial point of view, to the Monterey Shareholders and unanimously approved the Arrangement and the entering into of the Arrangement Agreement and all related agreements. Mr. Chris Webster did not attend the meeting of the Monterey Board of Directors in respect of its approval of the Arrangement and related matters and therefore did not vote on such resolutions.

The Monterey Board of Directors has resolved unanimously to recommend that the Monterey Securityholders vote in favour of the Arrangement Resolution (except in the case of the abstention of Mr. Christopher G. Webster, who is a director of the Corporation and a senior officer of Pengrowth Corporation).

Lock-Up Agreements

Monterey Securityholders (including all of the directors, officers and key employees of Monterey) who hold an aggregate of 7,245,142 Monterey Securities (representing approximately 14.6% of the outstanding Monterey Common Shares on a fully diluted basis) have agreed to vote their Monterey Securities in favour of the Arrangement Resolution, subject to the terms of the Lock-Up Agreements. See "*The Plan of Arrangement – Lock-Up Agreements*".

CORMARK FAIRNESS OPINION

In deciding to approve the Arrangement, the Monterey Board considered, among other things, the Cormark Fairness Opinion. The Monterey Board received the independent opinion from Cormark that, as of the date of the Cormark Fairness Opinion and subject to, and based on, the various considerations referred to in the Cormark Fairness Opinion, the consideration to be received by Monterey Shareholders pursuant to the Arrangement is fair, from a financial point of view, to Monterey Shareholders. The full text of the Cormark Fairness Opinion is attached to this Information Circular as Appendix D. **This summary is qualified in its entirety by reference to the full text of the Cormark Fairness Opinion.**

The full text of the written Cormark Fairness Opinion, dated August 10, 2010, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Appendix D. Cormark provided its opinion for the information and assistance of the Monterey Board, in connection with its consideration of the Arrangement. The Cormark Fairness Opinion is not a recommendation as to how any Monterey Securityholder should vote with respect to the Arrangement or any other matter.

Cormark was engaged by the Corporation as a financial advisor, effective May 4, 2010, to provide the Monterey Board with various financial advisory services including, without limitation, to provide advice and assistance in evaluating the Arrangement.

FORMAL VALUATION

Valuation

General

Pursuant to MI 61-101, and due to Pengrowth Corporation's equity holdings in Monterey, the Arrangement may be considered to be a "business combination" such that a formal valuation is required. Accordingly, in connection with the Arrangement, the Special Committee obtained a formal valuation of the Monterey Common Shares prepared in accordance with MI 61-101 by a valuator who is independent of Monterey and Pengrowth and who is qualified to provide such a valuation. To the knowledge of Monterey, no prior formal valuations have been completed in respect of Monterey or the Monterey Common Shares.

The Special Committee considered who should be invited to submit a proposal to prepare the formal valuation and decided to approach WWCM in this regard. WWCM submitted a proposal indicating, among other things, its qualifications to prepare a formal valuation and confirming its independence in accordance with the provisions of MI 61-101. The Chairman of the Special Committee reviewed the proposal of WWCM with legal counsel and made inquiries of WWCM as to WWCM's qualifications and independence.

The Special Committee determined, based in part on certain representations made to them by WWCM, as well as WWCM's experience in the oil and gas industry and its mergers and acquisitions experience, that WWCM was independent and qualified to prepare a formal valuation and should be retained for the purposes of preparing and delivering to the Special Committee a formal valuation of the Monterey Common Shares. Accordingly, the Special Committee directed Monterey to enter into the WWCM Engagement Letter, defined and described below, which provided, among other things, that the services of WWCM would be provided under the supervision and direction of the Special Committee.

The following summary is qualified in its entirety by the full text of the Valuation which sets forth the assumptions made, matters considered and limitations on the review undertaken in connection with the Valuation, and which is included at Appendix F to this Information Circular. **Monterey Securityholders are urged to read the Valuation in its entirety.**

Engagement of WWCM

WWCM was initially contacted by the Special Committee with respect to providing a valuation in connection with the Arrangement on June 29, 2010 and was retained by the Special Committee pursuant to a letter agreement dated June 30, 2010 (the "**WWCM Engagement Letter**"). The Valuation was prepared with an effective date of July 11, 2010. On July 10, 2010 WWCM presented a draft of the Valuation to the Special Committee and on August 9, 2010 WWCM presented the Valuation to the Special Committee. The terms of the WWCM Engagement Letter provide that WWCM is to be paid by Monterey a fee of \$450,000 in connection with the delivery of the Valuation and is to be reimbursed for its reasonable out of pocket expenses. The fee payable to WWCM is not contingent in whole or in part on the outcome of the Arrangement or on the conclusions reached in the Valuation. In addition Monterey has agreed to indemnify WWCM, in certain circumstances, against certain expenses, losses, claims, actions, damages and liabilities incurred in connection with the provision of its services.

Credentials of WWCM

WWCM is a fully registered investment dealer focusing on companies participating in oil and gas exploration, production and services. WWCM provides corporate finance, mergers and acquisitions, equity sales, research and trading services to companies active in or investing in the energy industry. The wording of the Valuation and the form and content thereof have been approved for release by a committee of directors and other professionals of WWCM, each of whom is experienced in merger, acquisition, divestiture and valuation matters.

Independence of WWCM

None of WWCM nor any of its affiliates or associates is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Ontario)) of Monterey or any of their respective associates or affiliates (collectively, the "**Interested Parties**"). WWCM is not currently acting as an advisor to Monterey or Pengrowth, or any other Interested Party, in connection with any matter other than the preparation of the Valuation under the WWCM Engagement Letter. For a more detailed description of the historical relationships between WWCM and each of Monterey and Pengrowth and other matters relating to the determination of WWCM's independence, see "*Credentials and Independence of WWCM*" in the Valuation contained in Appendix F to this Information Circular.

WWCM acts as a trader and dealer, both as principal and agent, in all major financial markets in Canada and, as such, may have had, may have and may in the future have, positions in the securities of Pengrowth and Monterey, and from time to time, may have executed or may execute transactions on behalf of Pengrowth and Monterey for clients for which it received or may receive compensation. In addition, as an investment dealer, WWCM conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on issues and investment matters, including research with respect to Pengrowth and Monterey.

There are no understandings, agreements or commitments between WWCM and Monterey or Pengrowth or any other Interested Party with respect to any future business dealings. WWCM may, in the future, in the ordinary course of its business, perform financial advisory or investment banking services to Monterey or Pengrowth or any other Interested Party.

Scope of Review

In preparing the Valuation, WWCM reviewed certain publicly-available information and financial statements and non-public information relating to Monterey; reviewed information relating to the businesses, operations, financial performance and, where applicable, stock market data and research publications relating to Monterey and other selected comparable companies; held discussions with senior management of Monterey; held discussions with independent reservoir engineers and other industry experts; and carried out other investigative exercises, more specifically described in the Valuation.

WWCM has not, to the best of its knowledge, been denied access by Monterey to any information requested by WWCM.

Assumptions and Limitations

For purposes of the Valuation, WWCM has relied upon, and has assumed the completeness, accuracy and fair presentation of, all financial and other information, data, advice, opinions and representations obtained by it from public sources, including information relating to Monterey, or provided to WWCM by Monterey and its affiliates or advisors or otherwise pursuant to the WWCM Engagement Letter (collectively the "**Information**"), and the Valuation is conditional upon such completeness, accuracy and fairness. Subject to the exercise of its professional judgement, WWCM has not attempted to verify independently the accuracy or completeness of any such Information. WWCM has relied on certain factual representations made by Monterey to WWCM in a certificate provided by officers of Monterey dated as of the date of this Information Circular, including, without limitation, with respect to (i) the accuracy of the Information provided to WWCM by Monterey, (ii) the absence of material changes in respect of Monterey since the date at which such Information was provided to WWCM, (iii) the absence of appraisals or valuations with respect to Monterey prepared within the last two years and not provided to WWCM, (iv) the absence of material transactions with respect to Monterey outside of the ordinary course of business and not disclosed to WWCM, (v) the reasonableness of forecasts, projections and budgets prepared by Monterey, and (vi) the absence of actions or proceedings against or affecting Monterey.

With respect to budgets, financial forecasts, projections or estimates provided to WWCM and used in its analyses, projecting future results of any entity is inherently subject to uncertainty. WWCM has assumed, however, that such budgets, financial forecasts, projections and estimates were reasonably prepared consistent with industry practice on

a basis reflecting the best currently available assumptions, estimates and judgments of the management of Monterey and are (or were at the time and continue to be) reasonable in the circumstances.

The Valuation has been rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at July 11, 2010, and the condition and prospects, financial and otherwise, of Monterey, as reflected in the Information and as they had been represented to WWCM in discussions with the management of Monterey as at that date. Monterey has represented to WWCM in a certificate provided by senior officers of Monterey delivered as of the date of this Information Circular that there have been no material changes in respect of Monterey since the date at which the Information was provided to WWCM, and no adjustment has been made in WWCM's conclusions by reason of any event or occurrence after July 11, 2010. WWCM examined the events that occurred after such date and concluded that no adjustments were to be made.

In its analyses and in preparing the Valuation, WWCM has made numerous assumptions with respect to expected industry performance, general business and economic conditions and other matters, many of which are beyond the control of WWCM or any party involved in the Arrangement. WWCM believes these assumptions are reasonable under the current circumstances; however, actual future results may demonstrate that certain assumptions were incorrect.

WWCM is an investment dealer and financial advisor only and has relied upon, without independent verification or investigation, the assessments of Monterey with respect to legal, tax, regulatory and actuarial matters. WWCM has not made any independent valuation or appraisal of any specific assets or liabilities of Monterey.

In preparing the Valuation, WWCM has made several assumptions, including that all final versions of documents will conform in all material respects to the drafts provided to WWCM, conditions precedent to the completion of the Arrangement can be satisfied in due course, all consents, permissions, exemptions or orders of relevant regulatory authorities will be obtained, without adverse condition or qualification, the procedures being followed to implement the Arrangement are valid and effective, the Information Circular will be distributed to the Monterey Securityholders in accordance with all applicable laws, and the disclosure in the Information Circular will be accurate in all material respects and will comply, in all material respects, with the requirements of all applicable laws.

The Valuation does not constitute a recommendation to the Monterey Board, or any Monterey Securityholder, as to whether the Monterey Securityholders should vote in favour of the Arrangement or any other matter to be considered at the Meeting. In addition, pursuant to the WWCM Engagement Agreement, WWCM has not been asked to address, and the Valuation does not address, the fairness of the Arrangement to, or any other consideration of, the holders of any class of securities, any creditors or any other constituencies of Monterey.

Definition of Fair Market Value

For purposes of the Valuation, fair market value is defined as the monetary consideration that, in an open and unrestricted market, a prudent and informed buyer would pay a prudent and informed seller, each acting at arm's length with the other and under no compulsion to act. In accordance with MI 61-101, WWCM has made no adjustment to the fair market value of the Monterey Common Shares to reflect the liquidity of the Monterey Common Shares or the fact that Monterey Common Shares held by individual holders do not form part of a controlling interest. Values determined on the foregoing basis represent "en bloc" values, that is, values that an acquirer of 100% of the Monterey Common Shares would be expected to pay in an open auction of Monterey.

Subject to the availability of an exemption under MI 61-101, MI 61-101 requires that a formal valuation include a valuation of any non-cash consideration being offered as part of the transaction. In the case of the Arrangement, an exemption is available in respect of the requirement to provide a formal valuation for the non-cash consideration under Section 6.3(2)(c) of MI 61-101. Accordingly, WWCM has not included in the Valuation a valuation of the consideration to be received by the Monterey Securityholders pursuant to the Arrangement. The proposed consideration to be received by Monterey Securityholders is Pengrowth Trust Units or Pengrowth Exchangeable Shares.

Approach to Value

The Valuation is based upon techniques and assumptions that WWCM considered appropriate in the circumstances for the purposes of arriving at an opinion as to the range of fair market values of the Monterey Common Shares.

Valuation Methodologies

WWCM relied upon the following methodologies, as appropriate, in determining the range of fair market values of the Monterey Common Shares: (i) Net asset value approach; (ii) comparable precedent transactions approach; and (iii) comparable market trading approach. For a more detailed description of valuation methodologies used by WWCM, see "*Valuation Methodologies*" in the Valuation contained in Appendix F to this Information Circular.

Valuation Conclusion – Monterey Common Shares

Based upon and subject to the foregoing, WWCM is of the opinion that, as of July 11, 2010, the fair market value of the Monterey Common Shares is in the range of \$7.19 to \$9.52 per Monterey Common Share.

The full text of the Valuation is included as Appendix F to this Information Circular. Monterey Securityholders are urged to read the Valuation in its entirety.

THE PLAN OF ARRANGEMENT

Summary of the Arrangement

The following is a summary only of certain of the material terms of the Plan of Arrangement and is qualified in its entirety by the full text of the Plan of Arrangement attached as Exhibit A to the Arrangement Agreement, which is attached as Appendix C to this Information Circular.

The Arrangement Agreement provides for the implementation of the Plan of Arrangement pursuant to which the following transactions will occur, among other things:

- Pengrowth will indirectly acquire all of the issued and outstanding Monterey Common Shares such that the Corporation will become a wholly-owned subsidiary of an entity controlled by Pengrowth.
- All Monterey Options that have not been exercised prior to the Effective Time will be deemed to be exercised, immediately before the Effective Time, for that number of Monterey Common Shares that is equal to the Exercise Price Differential divided by the Adjusted Weighted Average Trading Price.
- The consideration to be received by Monterey Securityholders is as follows:
 - Monterey Shareholders (other than Pengrowth Corporation, Non-Resident Holders, Tax-Exempt Shareholders and those registered Monterey Shareholders who have validly exercised Dissent Rights), including holders of Monterey Options who receive Monterey Common Shares upon the exercise or deemed exercise of such Monterey Options (but excluding holders of CCPC Option Shares), shall receive at their election for their Monterey Common Shares held: (i) the Trust Unit Consideration, which is comprised of 0.8298 of a Pengrowth Trust Unit for each Monterey Common Share held; (ii) the Exchangeable Share Consideration, which is comprised of 0.8298 of a Pengrowth Exchangeable Share for each Monterey Common Share held; or (iii) some combination of the Trust Unit Consideration and the Exchangeable Share Consideration.
 - Each Monterey Option that is not exercised by the holder thereof (and in respect of which Dissent Rights have not been validly exercised) and is outstanding immediately before the Effective Time shall be deemed to be exercised for that number of Monterey Common Shares that is equal to the Exercise Price Differential divided by the Adjusted Weighted Average Trading Price,

subject, in all cases, to a maximum of 33,825,711 Pengrowth Trust Units to be issued in the aggregate, inclusive of Pengrowth Trust Units that may be issued pursuant to the Pengrowth Exchangeable Shares. Non-Resident Holders, Tax-Exempt Shareholders and holders of CCPC Option Shares will receive Trust Unit Consideration and will not have the option to elect to receive the Exchangeable Share Consideration.

See "*The Arrangement Agreement*".

Arrangement Steps

The following summarizes the steps that will occur under the Plan of Arrangement on the Effective Date if all conditions to the completion of the Arrangement have been satisfied or waived. The following description of steps is qualified in its entirety by reference to the full text of the Plan of Arrangement attached as Exhibit A to the Arrangement Agreement, which is attached as Appendix C to this Information Circular.

Commencing at the Effective Time in one minute intervals, each of the events set out below shall occur and shall be deemed to occur in the following order without any further act or formality except as otherwise provided in the Plan of Arrangement:

- (a) the Monterey Securities held by Dissenting Monterey Securityholders who have exercised Dissent Rights which remain valid immediately prior to the Effective Time shall be deemed to have been transferred to Monterey and cancelled and such Dissenting Monterey Securityholders shall cease to have any rights as Monterey Securityholders, other than the right to be paid the fair value of their Monterey Securities by Monterey in accordance with the Dissent Rights;
- (b) each Monterey Option (other than Monterey Options held by or on behalf of a Dissenting Optionholder) that is not exercised by the holder thereof and is outstanding immediately before the Effective Time shall be deemed to be exercised for that number of Monterey Common Shares that is equal to the Exercise Price Differential divided by the Adjusted Weighted Average Trading Price;
- (c) Pengrowth shall issue to AcquisitionCo such number of Pengrowth Trust Units as are required by AcquisitionCo to be delivered to holders of Monterey Common Shares pursuant to Sections 3.1(d), (e) and (f) of the Plan of Arrangement in exchange for an unsecured subordinated promissory note of AcquisitionCo in the principal amount equal to the fair market value of such Pengrowth Trust Units so issued;
- (d) each Monterey Common Share held by a Tax-Exempt Shareholder and each Monterey Common Share held by a Non-Resident Holder (in each case other than Monterey Common Shares held by or on behalf of a Dissenting Shareholder) will be transferred to AcquisitionCo in exchange for 0.8298 of a Pengrowth Trust Unit;
- (e) subject to Section 3.2 of the Plan of Arrangement, each Monterey Common Share (other than Monterey Common Shares held by or on behalf of a Dissenting Shareholder), including Monterey Common Shares received by Monterey Optionholders upon the exercise or deemed exercise of Monterey Options but excluding: (A) CCPC Option Shares; and (B) Monterey Common Shares held by: (i) Non-Resident Holders; and (ii) Tax-Exempt Shareholders, shall be transferred to AcquisitionCo in accordance with the election or deemed election of the former holder of such Monterey Common Shares (other than Pengrowth Corporation which shall be deemed to have elected to receive one (1) AcquisitionCo Share for each Monterey Share) in exchange for:
 - (i) 0.8298 of a Pengrowth Trust Unit; or
 - (ii) one (1) AcquisitionCo Share;

- (f) each CCPC Option Share (other than CCPC Option Shares held by or on behalf of a Dissenting Optionholder) shall be transferred to AcquisitionCo in exchange for 0.8298 of a Pengrowth Trust Unit;
- (g) each AcquisitionCo Share received by a Monterey Shareholder pursuant to Section 3.1(e) of the Plan of Arrangement (other than AcquisitionCo Shares held by Pengrowth Corporation) shall be transferred to Pengrowth Corporation in exchange for 0.8298 of a Pengrowth Exchangeable Share, together with the Ancillary Rights; and
- (h) Monterey and AcquisitionCo shall be amalgamated and continued as one corporation, AmalCo, in accordance with the following:
- (i) the Monterey Common Shares, all of which shall be owned by AcquisitionCo, shall be cancelled without any repayment of capital;
 - (ii) no securities shall be issued by AmalCo in connection with the amalgamation and for greater certainty, the AcquisitionCo Shares, all of which shall be owned by Pengrowth Corporation, shall survive and continue to be the common shares of AmalCo without amendment;
 - (iii) the articles of AmalCo shall be the same as the articles of AcquisitionCo, and the name of AmalCo shall be "Monterey Exploration Ltd.";
 - (iv) the registered office of AmalCo shall be located at 2100, 222 – 3rd Avenue S.W., Calgary, Alberta, T2P 0B4;
 - (v) the property of each of the amalgamating corporations shall continue to be the property of AmalCo;
 - (vi) AmalCo shall continue to be liable for the obligations of the amalgamating corporations;
 - (vii) any existing cause of action, claim or liability to prosecution of any of the amalgamating corporations shall be unaffected;
 - (viii) any civil, criminal or administrative action or proceeding pending by or against any of the amalgamating corporations shall be able to be continued to be prosecuted by or against AmalCo;
 - (ix) a conviction against, or ruling, order or judgment in favour of or against, any of the amalgamating corporations shall be able to be enforced by or against AmalCo;
 - (x) the Articles of Amalgamation shall be deemed to be the Articles of Incorporation of AmalCo and the Certificate of Amalgamation shall be deemed to be the Certificate of Incorporation of AmalCo;
 - (xi) the by-laws of AmalCo shall be the by-laws of AcquisitionCo until repealed, altered or amended;
 - (xii) the first directors of AmalCo shall be the persons whose names and municipality of residence appear below:

<u>Name</u>	<u>Municipality of Residence</u>
Derek W. Evans	Calgary, Alberta
Christopher G. Webster	Calgary, Alberta
Robert W. Rosine	Calgary, Alberta

- (xiii) the first officers of AmalCo shall be the officers of AcquisitionCo; and
- (xiv) the first auditors of AmalCo shall be KPMG LLP. The first auditors of AmalCo shall hold office until the first annual meeting of AmalCo following the amalgamation or until their successors are elected or appointed.

Interests of Directors and Senior Officers in the Arrangement

Senior management and the directors of Monterey may have interests in the Arrangement that are, or may be, different from, or in addition to, the interests of other Monterey Securityholders. These interests include those described in the following chart and paragraphs below. The Monterey Board was aware of these interests and considered them, among other matters, when recommending approval of the Arrangement by Monterey Securityholders.

Name and Position	Number of Monterey Common Shares Held	Number of Monterey Common Shares Issuable Pursuant to all Monterey Options Held⁽¹⁾	Number of Monterey Common Shares Issuable Pursuant to all Monterey Options which have Vested⁽²⁾	Number of Monterey Common Shares Issuable Pursuant to Monterey Options for which Vesting has been Accelerated⁽²⁾	Cash Payment to be made pursuant to Severance (\$)
Murray Nunns Non-Executive Chairman	734,438	240,000	216,667	23,333	-
William Bradley Director	361,577	90,000	63,333	26,667	-
John Brussa Director	579,841	90,000	63,333	26,667	-
Donald Copeland Director	1,457,378	55,000	11,667	43,333	-
John Eby Director	89,000	90,000	63,333	26,667	-
Christopher Webster Director	82,000	-	-	-	-
Patrick Manuel President, Chief Executive Officer and Director	878,883	485,000	271,666	213,334	650,000
John Mah Vice President, Finance and Chief Financial Officer	34,900	260,000	125,000	135,000	245,000
Bill Meeuwissen Vice President, Production and Operations	336,000	310,000	178,333	131,667	316,000
Amar Pandila Vice President, Corporate Development	747,625	350,000	188,333	161,667	410,000

<u>Name and Position</u>	<u>Number of Monterey Common Shares Held</u>	<u>Number of Monterey Common Shares Issuable Pursuant to all Monterey Options Held⁽¹⁾</u>	<u>Number of Monterey Common Shares Issuable Pursuant to all Monterey Options which have Vested⁽²⁾</u>	<u>Number of Monterey Common Shares Issuable Pursuant to Monterey Options for which Vesting has been Accelerated⁽²⁾</u>	<u>Cash Payment to be made pursuant to Severance (\$)</u>
Jacob Hoepfner Corporate Secretary	3,000	52,500	21,666	30,834	-
Total:	5,304,642	2,022,500	1,203,331	819,169	1,621,000

Notes:

- (1) All Monterey Options are "in-the-money" (based on a value for each Monterey Common Shares of \$8.30 being the 10-day volume weighted average price of the Pengrowth Trust Units ending on July 9, 2010 being the last Business Day prior to the announcement of the Arrangement and after giving effect to the exchange ratio of 0.8298 of a Pengrowth Trust Unit for each Monterey Common Share).
- (2) The amounts presented assume payment of the purchase price for the Monterey Options. The number of Monterey Common Shares to be issued in connection with a "cashless exercise" will vary depending on the exercise price of such options. See "*The Plan of Arrangement – Summary of the Arrangement*" and "*The Plan of Arrangement – Interests of Senior Officers and Directors in the Arrangement – Monterey Options*".

Monterey Common Shares

As at August 11, 2010, the directors and officers of Monterey and their associates beneficially owned, controlled or directed, directly or indirectly, an aggregate of 5,304,642 Monterey Common Shares (excluding Monterey Common Shares underlying unexercised Monterey Options).

All of the Monterey Common Shares held by such directors and officers of Monterey and their associates will be treated in the same fashion under the Arrangement as Monterey Common Shares held by any other Monterey Shareholder. If the Arrangement is completed, the directors and officers of Monterey and their associates will receive in exchange for such Monterey Common Shares an aggregate of approximately 4,401,792 Pengrowth Trust Units or 4,401,792 Pengrowth Exchangeable Shares or some combination thereof.

Monterey Shareholders (other than Pengrowth Corporation, Non-Resident Holders, Tax-Exempt Shareholders and those registered holders who have validly exercised Dissent Rights), including holders of Monterey Options who receive Monterey Common Shares upon the exercise or deemed exercise of such Monterey Options (but excluding holders of CCPC Option Shares), shall receive, at the election of the Monterey Shareholder, for their Monterey Common Shares held: (i) the Trust Unit Consideration, which is comprised of 0.8298 of a Pengrowth Trust Unit for each Monterey Common Share held; (ii) the Exchangeable Share Consideration, which is comprised of 0.8298 of a Pengrowth Exchangeable Share for each Monterey Common Share held; or (iii) some combination of the Trust Unit Consideration and the Exchangeable Share Consideration. Non-Resident Holders, Tax-Exempt Shareholders and holders of CCPC Option Shares will receive the Trust Unit Consideration and will not have the option to elect to receive the Exchangeable Share Consideration.

Monterey Options

As at August 11, 2010, the directors and officers of Monterey owned an aggregate of 2,022,500 Monterey Options, 1,203,331 of which were vested and exercisable as at that date and 819,169 of which were unvested and not exercisable as at that date. The outstanding Monterey Options held by directors and officers of Monterey as at August 11, 2010 had Exercise Prices ranging from \$0.55 to \$3.85 and an aggregate weighted average Exercise Price of \$2.58 per Monterey Common Share.

If completed, the Arrangement will constitute a "change of control" for the purposes of the Monterey Option Plan and will result in the acceleration of vesting of all unvested Monterey Options so that such Monterey Options may be exercised at the Effective Time.

Pursuant to the Plan of Arrangement, each Monterey Option that is not exercised by the holder thereof (and in respect of which Dissent Rights have not been validly exercised) and is outstanding immediately before the Effective Time shall be deemed to be exercised for that number of Monterey Common Shares that is equal to the Exercise Price Differential divided by the Adjusted Weighted Average Trading Price.

If the Arrangement is completed, the directors and officers of Monterey will receive in exchange for all Monterey Options (both vested and unvested) held by them as at August 11, 2010, an aggregate of approximately 1,157,402 Pengrowth Trust Units assuming an Adjusted Weighted Average Trading Price of \$10.00 per Pengrowth Trust Unit.

Severance

If the Arrangement is completed, senior officers and certain employees of Monterey will receive, in the aggregate, \$2.9 million in severance in connection with the Arrangement.

Continuing Insurance Coverage for Directors and Officers of Monterey

The Arrangement Agreement provides that Monterey shall be permitted to secure directors' and officers' liability insurance for the current directors and officers of Monterey on a "trailing" (or "run-off") basis for a period of six years after the Effective Date. If a trailing policy is not available at a reasonable cost, Pengrowth shall cause Monterey to maintain in effect the current policies of directors' and officers' liability insurance maintained by Monterey (it being understood and agreed that Pengrowth may substitute therefore policies providing at least the same coverage (including amounts and deductibles), provided the terms and conditions of such substituted policies are not materially less advantageous to the insured) with respect to claims arising from facts or events which occur on or before the Effective Date. Pursuant to the Arrangement Agreement, Pengrowth agreed to not take any action to terminate or otherwise adversely affect such directors' and officers' insurance.

Lock-Up Agreements

Pursuant to the Arrangement Agreement, Monterey, concurrent with the signing of the Arrangement Agreement, delivered to Pengrowth Lock-up Agreements that were executed by Monterey Shareholders holding or exercising control or direction over 7,245,142 Monterey Common Shares (including all officers, directors and key employees).

Pursuant to the Lock-Up Agreements, certain directors, officers and employees of Monterey have agreed to vote all Monterey Securities beneficially owned by them in favour of the approval of the Arrangement and any related matter necessary or desirable to implement the Arrangement and to vote against or otherwise in opposition to any resolution to be considered by the Monterey Securityholders or any other proposed action by any person that could impede, prevent, hinder, delay or challenge the Arrangement or reduce the likelihood of the Arrangement Resolution being approved.

In addition, each of the directors of Monterey has also agreed in the Lock-Up Agreements (among other things):

- (a) that other than pledging the Monterey Securities to the extent necessary to finance the exercise of any Monterey Options (and provided that such a pledge will not otherwise prevent or restrict the Monterey Securityholder from meeting its obligations under the Lock-Up Agreement) not sell, transfer, assign, pledge, encumber, grant a security interest or otherwise dispose of, or enter into any agreement or understanding relating to the sale, transfer, assignment or other disposition of, the Monterey Securities or any interest therein (other than to exercise the Monterey Securities or as otherwise contemplated herein or by the Arrangement Agreement) or permit any affiliate of the Monterey Securityholder to do any of the foregoing;

- (b) not to grant or agree to grant any proxy or other right to the Monterey Securities, or enter into any voting trust, vote pooling or other agreement with respect to the right to vote, call meetings of shareholders or give consents or approvals of any kind with respect to the Monterey Securities;
- (c) not to exercise any rights of dissent or appraisal in respect of any resolution approving the Arrangement or any aspect thereof or matter related thereto, and not to exercise any other rights or remedies available at common law or pursuant to the ABCA or other legislation or in any manner delay, hinder, prevent, interfere with or challenge the Arrangement;
- (d) to comply with the provisions of section 3.5 of the Arrangement Agreement and in the Monterey Securityholder's capacity as a director, officer or employee of Monterey cause Monterey to comply with the provisions of Section 3.5 of the Arrangement Agreement; and
- (e) to promptly notify parties to the Arrangement Agreement upon any of the representations or warranties contained in the Lock-Up Agreement becoming untrue or incorrect in any material respect prior to the earlier of: (i) the Effective Time on the Effective Date; or (ii) the date the Arrangement Agreement is terminated in accordance with its terms (the "**Release Date**"), and for the purposes of the Lock-Up Agreements, each representation and warranty shall be deemed to be given at and as of all times during such period (irrespective of any language which suggests that it is only being given as at the date of the Lock-Up Agreement).

Pursuant to the Lock-Up Agreements, the respective rights and obligations thereunder of the parties to the Arrangement Agreement and the relevant Monterey Securityholder shall cease and the Lock-Up Agreements shall terminate immediately following the Release Date.

Treatment of Monterey Options and Amendments to the Monterey Option Plan

Pursuant to the terms of the Arrangement Agreement, the Parties have agreed that the Monterey Board of Directors may approve the vesting of all outstanding Monterey Options (other than Monterey Options held by persons who were not directors, officers or employees of Monterey on the date of the Arrangement Agreement and which would otherwise terminate prior to the Effective Date) effective before the Effective Date and conditional upon the subsequent consummation of the Arrangement (or, if required, amend any outstanding Monterey Options to accelerate the vesting of such Monterey Options effective before the Effective Date and conditional upon the subsequent consummation of the Arrangement) in order that all such outstanding Monterey Options shall be fully vested and exercised immediately before the Effective Time in accordance with the Arrangement. Additionally, the Parties have agreed that each Monterey Option that is not exercised by the holder thereof (and in respect of which Dissent Rights have not been validly exercised) and is outstanding immediately before the Effective Time shall be deemed to be exercised, on a cashless exercise basis, for that number of Monterey Common Shares that is equal to the Exercise Price Differential divided by the Adjusted Weighted Average Trading Price. See "*The Plan of Arrangement – Summary of the Arrangement*" and "*The Plan of Arrangement – Arrangement Steps*".

In order to facilitate the treatment of Monterey Optionholders as proposed under the Arrangement Agreement, the Monterey Board of Directors approved certain amendments to the Monterey Option Plan on August 9, 2010, in accordance with the amending provisions of the Monterey Option Plan and the requirements of the TSX, to: (i) permit the accelerated vesting of Monterey Options as contemplated under the Arrangement Agreement; and (ii) add a cashless exercise feature to the Monterey Option Plan to permit Monterey Optionholders to exercise their Monterey Options on a cashless exercise basis in accordance with the Arrangement Agreement.

Effects of the Arrangement

If the Arrangement is successfully completed, the Corporation will become an indirect wholly-owned subsidiary of Pengrowth and former holders of Monterey Securities will, subject to certain restrictions, be entitled to receive, in accordance with their elections, the Trust Unit Consideration, the Exchangeable Share Consideration or a combination thereof pursuant to the terms of the Arrangement.

Stock Exchange Listings

If completed, the Arrangement will result in the Monterey Common Shares being delisted from the TSX on the Effective Date.

Pengrowth has made application to list the Pengrowth Trust Units issuable under the Arrangement on the TSX and NYSE as well as the Pengrowth Trust Units issuable in accordance with the terms and conditions of the Pengrowth Exchangeable Shares. Listing will be subject to Pengrowth fulfilling all of the requirements of the TSX and the NYSE, which requirements are expected to be met on the Effective Date or as soon as reasonably practicable thereafter.

Procedure for the Arrangement to Become Effective

The Arrangement is proposed to be carried out pursuant to Section 193 of the ABCA. The following procedural steps must be taken for the Arrangement to become effective:

- (a) the Arrangement must be approved by the Monterey Securityholders in the manner set forth in the Interim Order;
- (b) the Court must grant the Final Order approving the Arrangement;
- (c) all conditions precedent to the Arrangement, as set forth in the Arrangement Agreement, must be satisfied or waived by the appropriate party; and
- (d) the Final Order and Articles of Arrangement in the form prescribed by the ABCA must be filed with the Registrar.

Monterey Securityholder Approvals

Pursuant to the Interim Order, the resolution approving the Arrangement must be approved by not less than 66 $\frac{2}{3}$ % of the votes cast by holders of Monterey Securities, voting together as a single class, either in person or by proxy, at the Meeting. The TSX requires that, in addition to the Monterey Securityholder approval requirement that applies under the ABCA and the Interim Order, the Arrangement be affirmed by a simple majority of the votes cast by Monterey Shareholders present, in person or by proxy, at the Meeting. Completion of the Arrangement is also conditional upon approval by a simple majority of the votes cast by Monterey Securityholders (after excluding Monterey Securities beneficially owned or over which control or direction is exercised by such persons whose votes may not be included in determining minority approval pursuant to MI 61-101) at the Meeting. The Arrangement is also subject to the approval of the Court and regulatory, stock exchange, lender and other approvals.

See "*General Proxy Matters – Procedure and Votes Required*".

Court Approval

Interim Order

On August 12, 2010 the Court granted the Interim Order directing the calling of the Meeting and prescribing the conduct of the Meeting and other matters. The Interim Order is attached as Appendix B to this Information Circular.

Final Order

The ABCA provides that a plan of arrangement requires Court approval. Subject to the terms of the Arrangement Agreement, and if the Arrangement Resolution is approved by Monterey Securityholders at the Meeting in the manner required by the Interim Order, Monterey will make an application to the Court for the Final Order.

The application for the Final Order approving the Arrangement is scheduled for September 15, 2010 at 1:00 p.m. (Calgary time), or as soon thereafter as counsel may be heard, at the Calgary Courts Centre, 601 – 5th Street S.W., Calgary, Alberta. At the hearing, any Monterey Securityholder and any other interested party who wishes to participate or to be represented or to present evidence or argument may do so, subject to filing with the Court and serving upon Monterey a Notice of Intention to Appear together with any evidence or materials which such party intends to present to the Court **on or before 4:00 p.m. (Calgary time) on September 13, 2010 (or the business day that is two business days prior to the date of the Meeting if it is not held on September 15, 2010). Service of such notice shall be effected by service upon the solicitors for Monterey: Burnet, Duckworth & Palmer LLP, Suite 1400, 350 – 7th Avenue S.W., Calgary, Alberta, T2P 3N9, Attention: Michael Donaldson. See the Notice of Petition accompanying this Information Circular.**

The Court has been advised that the Final Order, if granted, will constitute the basis for an exemption from the registration requirements of the 1933 Act, pursuant to Section 3(a)(10) thereof, with respect to the issuance of the Pengrowth Trust Units and Pengrowth Exchangeable Shares issuable to Monterey Securityholders pursuant to the Arrangement.

Monterey has been advised by its counsel, Burnet, Duckworth & Palmer LLP, that the Court has broad discretion under the ABCA when making orders with respect to plans of arrangement and that the Court will consider, among other things, the fairness and reasonableness of the Arrangement, both from a substantive and a procedural point of view. The Court may approve the Arrangement either as proposed or as amended in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court thinks fit. Depending upon the nature of any required amendments, the Corporation may determine not to proceed with the Arrangement.

Timing

If the Meeting is held as scheduled and is not adjourned and the other necessary conditions at that point in time are satisfied or waived, Monterey will apply for the Final Order approving the Arrangement. If the Final Order is obtained on September 15, 2010 in form and substance satisfactory to the Corporation and Pengrowth, and all other conditions set forth in the Arrangement Agreement are satisfied or waived, the Corporation expects the Effective Date will be on or about September 15, 2010. It is not possible, however, to state with certainty when the Effective Date will occur.

The Arrangement will become effective upon the filing with the Registrar of the Articles of Arrangement and a copy of the Final Order, together with such other materials as may be required by the Registrar.

The Corporation's objective is to have the Effective Date occur on September 15, 2010. The Effective Date could be delayed, however, for a number of reasons, including an objection before the Court at the hearing of the application for the Final Order on September 15, 2010.

Expenses

The estimated fees, costs and expenses of the Corporation in connection with the Arrangement contemplated herein including, without limitation, severance payments resulting from the change of control, financial advisors' fees, filing fees, legal and accounting fees, proxy solicitation fees and printing and mailing costs are anticipated to be approximately \$7.9 million based on certain assumptions.

THE ARRANGEMENT AGREEMENT

The following is a summary only of the material terms of the Arrangement Agreement including the Plan of Arrangement. Monterey Securityholders are urged to read the Arrangement Agreement including the Plan of Arrangement in its entirety. A copy of the Arrangement Agreement is attached as Appendix C to this Information Circular and the Plan of Arrangement is attached to the Arrangement Agreement as Exhibit A.

Mutual Covenants Regarding the Arrangement

Monterey and Pengrowth have each given, in favour of the other Party, usual and customary mutual covenants for an agreement of this nature including a mutual covenant to use their respective commercially reasonable efforts to satisfy the conditions precedent to their respective obligations under the Arrangement Agreement and to take all other action, or cause to be done, all things necessary, proper or advisable under Applicable Laws to complete the Arrangement.

Covenants of Pengrowth Corporation

Pengrowth Corporation has given in favour of the Corporation usual and customary covenants for an agreement of the nature of the Arrangement Agreement, including a covenant to take all steps and do all acts and things specified in the Interim Order, the Plan of Arrangement and the Final Order to be taken or done by Pengrowth Corporation.

Pengrowth has covenanted and agreed in favour of Monterey that it will cause Pengrowth Corporation to perform all of its obligations under the Arrangement Agreement, and to be jointly and severally liable with Pengrowth Corporation for the due and punctual performance of such obligations.

Covenants of the Corporation

The Corporation has given in favour of Pengrowth and Pengrowth Corporation usual and customary covenants for an agreement of the nature of the Arrangement Agreement, including a covenant to carry on business in the ordinary course of business consistent with past practice between the date of the Arrangement Agreement and the Effective Date and a covenant not to undertake certain actions outside of the ordinary course of business.

Covenants of the Corporation Regarding Non-Solicitation

The Corporation has provided certain non-solicitation covenants (the "**Non-Solicitation Covenants**") in favour of Pengrowth and Pengrowth Corporation as follows:

- (a) Monterey shall immediately cease and cause to be terminated all existing discussions and negotiations (including, without limitation, through any advisors or other parties on its behalf), with any parties (other than Pengrowth) conducted before the date of the Arrangement Agreement with respect to any proposal that constitutes, or may reasonably be expected to constitute or lead to an Acquisition Proposal. Monterey shall not modify or release any third party from any existing confidentiality agreement (including, for greater certainty, any existing standstill provisions). Monterey shall discontinue access to any of its confidential information (and not establish or allow access to any of its confidential information, or any data room, virtual or otherwise) and shall as soon as possible request, to the extent that it is entitled to do so and exercise all rights it has to require the return or destruction of all confidential information provided to any third parties who have entered into a confidentiality agreement with Monterey relating to an Acquisition Proposal and shall request (and exercise all rights to require) the destruction of all material including or incorporating or otherwise reflecting any material confidential information regarding Monterey and shall use all reasonable commercial efforts to ensure that such requests are honoured. Without limiting the foregoing, it is understood that any violation of the restrictions set forth in this section (a) by Monterey or its officers, directors, employees, representatives and agents shall be deemed to be a breach of this section (a) by Monterey.
- (b) Monterey shall not, directly or indirectly, do or authorize or permit any of its officers, directors or employees or any financial advisor, expert or other representative retained by it to do, any of the following:
 - (i) solicit, assist, initiate, encourage or in any way facilitate (including by way of furnishing information, or entering into any form of written or oral agreement, arrangement or understanding) any Acquisition Proposal or inquiries, proposals or offers regarding an Acquisition Proposal;

- (ii) enter into or participate in any discussions or negotiations regarding an Acquisition Proposal, or furnish to any other Person any information with respect to its businesses, properties, operations, prospects or conditions (financial or otherwise) in connection with an Acquisition Proposal or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt of any other Person to do or seek to do any of the foregoing;
- (iii) waive, or otherwise forbear in the enforcement of, or enter into or participate in any discussions, negotiations or agreements to waive or otherwise forbear in respect of, any rights or other benefits under confidential information agreements, including, without limitation, any "standstill provisions" thereunder; or
- (iv) accept, recommend, approve, agree to, endorse, or propose publicly to accept, recommend, approve, agree to, or endorse any Acquisition Proposal or agreement in respect thereto;

provided, however, that notwithstanding any other provision hereof, Monterey and its officers, directors and advisers may prior to the Meeting:

- (v) enter into or participate in any discussions or negotiations with a third party who (without any solicitation, initiation or encouragement, directly or indirectly, after the date of the Arrangement Agreement, by Monterey or any of its officers, directors or employees or any legal or financial advisor, expert or other representative retained by it) seeks to initiate such discussions or negotiations with Monterey that does not result from a breach of these Non-Solicitation Covenants and, subject to execution of a confidentiality and standstill agreement substantially similar to the Confidentiality Agreement (provided that such confidentiality agreement shall provide for disclosure thereof (along with all information provided thereunder) to Pengrowth as set out below), may furnish to such third party information concerning Monterey and its business, properties and assets, in each case if, and only to the extent that:
 - (A) the third party has first made a written *bona fide* Acquisition Proposal which is a Superior Proposal; and
 - (B) prior to furnishing such information to or entering into or participating in any such discussions or negotiations with such third party, Monterey provides prompt notice to Pengrowth to the effect that it is furnishing information to or entering into or participating in discussions or negotiations with such Person together with a copy of the confidentiality agreement referenced above and, if not previously provided to Pengrowth, copies of all information provided to such third party concurrently with the provision of such information to such third party, and provided further that Monterey shall notify Pengrowth orally and in writing of any inquiries, offers or proposals with respect to a Superior Proposal (which written notice shall include, without limitation, a copy of any such proposal (and any amendments or supplements thereto), the identity of the Person making it, if not previously provided to Pengrowth, copies of all information provided to such party and all other information reasonably requested by Pengrowth), within 24 hours of the receipt thereof, shall keep Pengrowth informed of the status and details of any such inquiry, offer or proposal and answer Pengrowth's questions with respect thereto; and
- (vi) accept, recommend, approve or enter into an agreement to implement a Superior Proposal from a third party, but only if prior to such acceptance, recommendation, approval or implementation, the Monterey Board of Directors shall have concluded in good faith, after considering all proposals to adjust the terms and conditions of the Arrangement Agreement as contemplated by (d) (below) and after receiving the advice of outside counsel as reflected in minutes of the Monterey Board of Directors, that the taking of such action is necessary for the Monterey Board of Directors in discharge of its fiduciary duties under applicable laws and Monterey complies with its obligations set forth in (d) (below) and terminates the Arrangement Agreement in accordance with Section 8.1(a)(iv) of the Arrangement Agreement and concurrently therewith pays the Pengrowth Termination Fee to Pengrowth.

- (c) Monterey shall promptly (and in any event within 24 hours) notify Pengrowth (at first orally and then in writing) of any Acquisition Proposal (or any amendment thereto) or any request for non-public information relating to Monterey, its assets, or any amendments to the foregoing. Such notice shall include a copy of any written Acquisition Proposal (and any amendment thereto) which has been received or, if no written Acquisition Proposal has been received, a description of the material terms and conditions of, and the identity of the Person making any inquiry, proposal, offer or request. Monterey shall also provide such further and other details of the Acquisition Proposal or any amendment thereto as Pengrowth may reasonably request. Monterey shall keep Pengrowth promptly and fully informed of the status, including any change to material terms, of any Acquisition Proposal or any amendment thereto, shall respond promptly to all inquiries by Pengrowth with respect thereto, and shall provide Pengrowth copies of all material correspondence and other written material sent to or provided to Monterey by any Person in connection with such inquiry, proposal, offer or request or sent or provided by Monterey to any Person in connection with such inquiry, proposal, offer or request.
- (d) Monterey shall give Pengrowth, orally and in writing, at least three (3) Business Days advance notice of any decision by the Monterey Board of Directors to accept, recommend, approve or enter into an agreement to implement a Superior Proposal, shall set out the Monterey Board of Directors' reasonable determination of the financial value of the consideration offered by such third party to Monterey Shareholders under such Superior Proposal, which notice shall confirm that the Monterey Board of Directors has determined that such Acquisition Proposal constitutes a Superior Proposal, shall identify the third party making the Superior Proposal and provide a copy thereof and any amendments thereto. During the three (3) Business Day period commencing on the delivery of such notice, Monterey agrees not to accept, recommend, approve or enter into any agreement to implement such Superior Proposal and not to release the party making the Superior Proposal from any standstill provisions and shall not withdraw, redefine, modify or change its recommendation in respect of the Arrangement. In addition, during such three (3) Business Day period Monterey shall, and shall cause its financial and legal advisors to, negotiate in good faith with Pengrowth and its financial and legal advisors to make such adjustments in the terms and conditions of the Arrangement Agreement and the Arrangement as would enable Monterey to proceed with the Arrangement as amended rather than the Superior Proposal. In the event Pengrowth proposes to amend the Arrangement Agreement and the Arrangement such that the Superior Proposal ceases to be a Superior Proposal and so advises the Monterey Board prior to the expiry of such three (3) Business Day period, the Monterey Board of Directors shall not accept, recommend, approve or enter into any agreement to implement such Superior Proposal, shall not release the party making the Superior Proposal from any standstill provisions and shall not withdraw, redefine, modify or change its recommendation in respect of the Arrangement.
- (e) Monterey shall reaffirm its recommendation of the Arrangement by press release promptly and in any event within five Business Days of any written request to do so by Pengrowth (or, in the event that the Meeting to approve the Arrangement is scheduled to occur within such five Business Day period, prior to the scheduled date of such meeting) in the event that (i) any Acquisition Proposal which is publicly announced is determined not to be a Superior Proposal; or (ii) the Parties have entered into an amended agreement pursuant to (d) (above) which results in any Acquisition Proposal not being a Superior Proposal.
- (f) Pengrowth agrees that all information that may be provided to it by Monterey with respect to any Acquisition Proposal pursuant to these Non-Solicitation Covenants shall be treated as if it were "Confidential Information" as that term is defined in the Confidentiality Agreement and shall not be disclosed or used except in accordance with the provisions of the Confidentiality Agreement or in order to enforce its rights under the Arrangement Agreement in legal proceedings.
- (g) Monterey and Pengrowth shall each ensure that their respective officers, directors and employees and any investment bankers or other advisers or representatives retained by it are aware of the provisions of these Non-Solicitation Covenants and shall be responsible for any breach of these Non-Solicitation Covenants by any of them.

Notwithstanding the foregoing, nothing in the Arrangement Agreement shall prevent the Monterey Board of Directors from complying with Section 2.17 of Multilateral Instrument 62-104 and similar provisions under Applicable Canadian Securities Laws relating to the provision of directors' circulars in respect of an Acquisition

Proposal that is not a Superior Proposal but only following Monterey's compliance with the above mentioned Non-Solicitation Covenants.

Representations and Warranties

Each of Pengrowth and the Corporation made certain customary representations and warranties related to their due organization and qualification and authorization to enter into the Arrangement Agreement and carry out its obligations thereunder and the execution and delivery of the Arrangement Agreement, the consummation by it of the transactions contemplated thereby nor compliance by it of the transactions contemplated by the Arrangement Agreement will, among other things, violate, conflict with or result in breach of any provisions of, require any consent, approval or notice under or constitute a default or result in a right of termination or acceleration under or result in a creation of any lien, security interest, charge or encumbrance upon the properties or assets of it or any of its subsidiaries under, any of the terms, conditions or provisions of its organizational documents, instruments or obligations to which it or any of its subsidiaries is a party or by which any of them or any of their respective properties or assets may be subject or by which it is bound or violate any judgment, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to it or any of its subsidiaries. In addition, Pengrowth and the Corporation have each made certain representations and warranties particular to such party. The representations and warranties are, in some cases, subject to specified exceptions and qualifications.

Conditions of Closing

Mutual Conditions

The Arrangement Agreement provides that the respective obligations of the Parties to complete the Arrangement are subject to the satisfaction or waiver, by mutual consent of the Parties, of the following conditions on or before the Effective Time:

- (a) Interim Order. On or before August 16, 2010, the Interim Order shall have been granted in form and substance satisfactory to each of Pengrowth and Monterey, acting reasonably, and such order shall not have been set aside or modified in a manner unacceptable to Pengrowth and Monterey, each acting reasonably, on appeal or otherwise.
- (b) Arrangement Resolution. On or prior to the Outside Date, the Arrangement Resolution shall have been passed by the Monterey Securityholders in accordance with the Interim Order.
- (c) Final Order. On or before the Outside Date, the Final Order shall have been granted in form and substance satisfactory to Pengrowth and Monterey, acting reasonably and such order shall not have been set aside or modified in a manner unacceptable to Pengrowth and Monterey, acting reasonably, on appeal or otherwise.
- (d) Articles of Arrangement. The Articles of Arrangement to be filed with the Registrar in accordance with the Arrangement shall be in form and substance satisfactory to each of Pengrowth and Monterey, acting reasonably.
- (e) Third Party Approvals. Pengrowth and Monterey shall have obtained all consents, waivers, permissions and approvals necessary to complete the Arrangement by or from relevant Governmental Authorities, on terms and conditions satisfactory to the Parties, acting reasonably, including without limitation:
 - (i) the approval of the Monterey Securityholders required for the Arrangement pursuant to the ABCA or as required by the Court and other matters relating to the Arrangement;
 - (ii) the TSX and the NYSE shall have conditionally approved the listing of the Pengrowth Trust Units issuable to Monterey Securityholders pursuant to the Arrangement and the Pengrowth Trust Units issuable pursuant to the terms and conditions of Pengrowth Exchangeable Shares which are issuable to Monterey Securityholders pursuant to the Arrangement on terms which Pengrowth and Pengrowth Corporation are capable of satisfying after giving effect to the Arrangement; and

(iii) Competition Act Approval;

(collectively, together with the approval described in paragraph (g) – Waiting Periods, the "**Third Party Approvals**").

- (f) Pengrowth Exchangeable Shares. The Exchangeable Shares shall have been created, having terms and conditions mutually agreeable to Pengrowth and Monterey, acting reasonably and the Lock-Up Agreement and Voting and Exchange Trust Agreement shall have been entered into.
- (g) Waiting Periods. All domestic and foreign statutory and regulatory waiting periods applicable to the transactions contemplated by the Arrangement, shall have expired or have been terminated and no unresolved material objection or opposition shall have been filed, initiated or made during any applicable statutory or regulatory period.
- (h) No Actions. There shall be no action taken under any existing Applicable Law, nor any statute, rule, regulation or order which is enacted, enforced, promulgated or issued by any Governmental Authority, that:
- (i) makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated in the Arrangement Agreement; or
 - (ii) results in a judgment or assessment of material damages directly or indirectly relating to the transactions contemplated in the Arrangement Agreement.

Additional Conditions in Favour of Pengrowth Corporation

The Arrangement Agreement provides that the obligations of Pengrowth Corporation to complete the Arrangement are subject to the fulfillment of a number of additional conditions, each of which is for the benefit of Pengrowth Corporation and may be waived by it. These additional conditions include:

- (a) Representations and Warranties. The representations and warranties of Monterey set forth in the Arrangement Agreement shall be true and correct in all respects as of the Effective Date as if made on and as of such date without giving effect to any materiality qualifiers contained therein (except to the extent such representations and warranties speak as of an earlier date or, with respect to all representations and warranties and except as affected by transactions contemplated or permitted by the Arrangement Agreement) except where the failure of such representations and warranties to be true and correct, individually or in the aggregate, would not result, or would not reasonably be expected to result, in a Material Adverse Change or have a Material Adverse Effect on Monterey or would not, or would not reasonably be expected to, materially impede the ability of the Parties to complete the Arrangement and each of Monterey shall have provided to Pengrowth a certificate of two senior officers certifying such accuracy on the Effective Date; provided that Monterey shall be entitled to cure any breach of a representation and warranty within five Business Days after receipt of written notice thereof from Pengrowth (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date).
- (b) Covenants. Monterey shall have complied in all material respects with its covenants in the Arrangement Agreement, and Monterey shall have provided to Pengrowth a certificate of two senior officers certifying compliance with such covenants; provided that Monterey shall be entitled to cure any breach of a covenant within five Business Days after receipt of written notice thereof from Pengrowth (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date).
- (c) Mailing Date. The Mailing Date shall occur not later than August 16, 2010, provided the failure to mail by such date is not caused by a material breach of Pengrowth's covenants under the Arrangement Agreement;

- (d) No Actions. No act, action, suit, proceeding, objection or opposition shall have been threatened or taken before or by any Governmental Authority or by any elected or appointed public official or private Person in Canada or elsewhere, whether or not having the force of law and no law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of law) shall have been proposed, enacted, promulgated, amended or applied, which in the sole judgment of Pengrowth, acting reasonably, in either case has had or, if the Arrangement was consummated, would result in a Material Adverse Effect on Monterey or would materially impede the ability of the Parties to complete the Arrangement.
- (e) No Material Adverse Change. Between the date hereof and the Effective Time, there shall not have occurred any Material Adverse Change with respect to Monterey.
- (f) Board and Shareholder Authorization. Monterey shall have furnished Pengrowth and Pengrowth Corporation with:
- (i) certified copies of the resolutions duly passed by the Monterey Board of Directors approving the Arrangement Agreement and the consummation of the transactions contemplated hereby; and
 - (ii) certified copies of the resolutions of Monterey Securityholders, duly passed at the Meeting, approving the Arrangement Resolution.
- (g) Dissent Rights. Holders of Monterey Securities representing not more than 5% of the Monterey Securities then outstanding shall have validly exercised, and not withdrawn, Dissent Rights.
- (h) Monterey Securities. Pengrowth shall be satisfied, acting reasonably, that after giving effect to the Arrangement: (i) not greater than 45,966,167 Monterey Common Shares will be outstanding, plus up to 3,788,166 Monterey Common Shares which may be issued pursuant to the exercise of Monterey Options, or in respect of which may be tendered for Pengrowth Trust Units or Pengrowth Exchangeable Shares in accordance with the Arrangement Agreement; and (ii) that there are no other outstanding claims or rights or securities which could become claims or rights to Monterey Common Shares.
- (i) Releases. Executed mutual releases in a form acceptable to Pengrowth and Monterey, acting reasonably, shall have been received by Pengrowth on or prior to the Effective Date from each Person who is a director, officer or employee of Monterey and who is entitled to receive a severance amount as a consequence of the Arrangement provided, however, that such releases shall only be required from each such individual who, as a consequence of the Arrangement, is no longer a director, officer or employee of Monterey.
- (j) Area of Exclusion Agreements. Area of exclusion agreements shall have been entered into between Pengrowth, Pengrowth Corporation and each of Patrick Manuel, Bill Meeuwissen, Amar Pandila and Doug Smith in a form satisfactory to Pengrowth, acting reasonably.
- (k) No Dividends or Other Distributions. Following the date of the Arrangement Agreement, Monterey shall not have, directly or indirectly, declared, set aside or paid any dividend or other distribution or made any other payment whatsoever (whether in cash, shares or property) in respect of its outstanding securities.

Additional Conditions in Favour of the Corporation

The Arrangement Agreement provides that the obligation of the Corporation to complete the Arrangement is subject to the following conditions, each of which is for the benefit of the Corporation and may be waived by it:

- (a) Representations and Warranties. The representations and warranties of Pengrowth set forth in the Arrangement Agreement shall be true and correct in all respects as of the Effective Date as if made on and as of such date without giving effect to any materiality qualifiers contained therein (except to the extent such representations and warranties speak as of an earlier date or except as affected by transactions contemplated or permitted by the Arrangement Agreement), except where the failure of such representations and warranties to be true and correct, individually or in the aggregate, would not, or would

not reasonably be expected to result in a Material Adverse Change or have a Material Adverse Effect on Pengrowth or would not, or would not reasonably be expected to, materially impede the ability of the Parties to complete the Arrangement, and Pengrowth shall have provided to Monterey a certificate of two senior officers of Pengrowth Corporation certifying such accuracy on the Effective Date.

- (b) Covenants. The Pengrowth Parties shall have complied in all material respects with their respective covenants in the Arrangement Agreement, and Pengrowth shall have provided to Monterey a certificate of two senior officers of Pengrowth Corporation certifying compliance with such covenants; provided that Pengrowth Parties shall be entitled to cure any breach of a covenant within five Business Days after receipt of written notice thereof from Monterey (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date).
- (c) No Actions. No act, action, suit, proceeding, objection or opposition shall have been threatened or taken before or by any Governmental Authority or by any elected or appointed public official or private person in Canada or elsewhere, whether or not having the force of law, and no law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of law) shall have been proposed, enacted, promulgated, amended or applied, which in the sole judgment of Monterey, acting reasonably, in either case has had or, if the Arrangement was consummated, would result in, a material adverse change in the affairs, operations or business of Pengrowth or would significantly impede the ability of the Parties to complete the Arrangement.
- (d) Mailing Date. The Mailing Date shall occur not later than August 16, 2010, provided the failure to mail by such date is not caused by a material breach of Monterey's covenants under the Arrangement Agreement;
- (e) No Material Adverse Change. Between the date hereof and the Effective Time, there shall not have occurred any Material Adverse Change with respect to Pengrowth.
- (f) Board Authorization. Pengrowth and Pengrowth Corporation shall have each furnished Monterey with certified copies of the resolutions duly passed by the Pengrowth Board of Directors approving the Arrangement Agreement and the consummation of the transactions contemplated hereby.

Termination of Arrangement Agreement

The Arrangement Agreement may be terminated at any time prior to the Effective Date (or such earlier date as is specified below):

1. by mutual written consent of Pengrowth and Monterey;
2. as provided in Sections 5.1, 5.2 and 5.3 of the Arrangement Agreement;
3. by Pengrowth upon the occurrence of an Pengrowth Damages Event as provided in Section 6.1 of the Arrangement Agreement provided that in the event of a Pengrowth Damages Event provided for in Section 6.1(a) of the Arrangement Agreement, the Arrangement Agreement may not be terminated by Pengrowth unless Monterey Securityholders do not approve the Arrangement or the Arrangement is not submitted for their approval; or
4. by Monterey upon the occurrence of an Pengrowth Damages Event as provided in Section 6.1(d) of the Arrangement Agreement (in accordance with Section 3.5(b)(vi) of the Arrangement Agreement and provided Monterey has complied with its obligations set forth in Section 3.5(d) of the Arrangement Agreement) and has paid to Pengrowth the Pengrowth Termination Fee.

If the Arrangement Agreement is terminated in accordance with the foregoing, the Arrangement Agreement shall forthwith become void and neither Monterey, Pengrowth nor Pengrowth Corporation shall have any liability or further obligation to the other parties to the Arrangement Agreement except as provided in Article 6 and Section 4.3 thereof and each party's obligations under the Confidentiality Agreement, which shall survive such termination, and

provided that neither the termination of the Arrangement Agreement nor anything contained in Section 8.1(b) of the Arrangement Agreement shall relieve any party from any liability for any breach by it of the Arrangement Agreement, including from any inaccuracy in any of its representations and warranties and any non-performance by it of its covenants made herein, prior to the date of such termination.

Pengrowth Termination Fee

If at any time after the execution of the Arrangement Agreement and prior to its termination:

- (a) the Monterey Board of Directors withdraws, amends, changes or qualifies, or proposes publicly to withdraw, amend, change or qualify, in any manner adverse to Pengrowth, any of its recommendations or determinations referred to in Section 2.8 of the Arrangement Agreement;
- (b) the Monterey Board of Directors shall have failed to publicly reaffirm any of its recommendations or determinations referred to in Section 2.8 of the Arrangement Agreement in accordance with Section 3.5(e) of the Arrangement Agreement or within five Business Days of any written request to do so by Pengrowth (or, in the event that the Meeting to approve the Arrangement is scheduled to occur within such five Business Day period, prior to the scheduled date of such meeting);
- (c) a *bona fide* Acquisition Proposal is publicly announced, proposed, offered or made to the Monterey Shareholders or to Monterey and has not expired or been withdrawn at the time of the Meeting, and the Monterey Shareholders do not approve the Arrangement or the Arrangement is not submitted for their approval;
- (d) the Monterey Board of Directors or any committee of the Monterey Board of Directors accepts, recommends, approves or enters into an agreement, understanding or letter of intent to implement a Superior Proposal;
- (e) Monterey is in breach of any of its covenants made in the Arrangement Agreement which breach individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Change with respect to, or Material Adverse Effect on, Monterey or materially impedes or would reasonably be expected to materially impede the completion of the Arrangement, and Monterey fails to cure such breach within five Business Days after receipt of written notice thereof from Pengrowth (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date); or
- (f) Monterey is in breach of any of its representations or warranties made in the Arrangement Agreement (without giving effect to any materiality qualifiers contained therein) which breach individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Change with respect to, or have a Material Adverse Effect on, Monterey or materially impedes or would reasonably be expected to materially impede the completion of the Arrangement, and Monterey fails to cure such breach within five Business Days after receipt of written notice thereof from Pengrowth (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date),

each of the above being a "**Pengrowth Damages Event**", then in the event of the termination of the Arrangement Agreement pursuant to Article 8 of the Arrangement Agreement, Monterey shall pay to Pengrowth Corporation (or to whom Pengrowth Corporation may direct in writing) \$15 million (the "**Pengrowth Termination Fee**") as liquidated damages in immediately available funds to an account designated by Pengrowth within one Business Day after the first to occur of the events described above. Following a Pengrowth Damages Event, but prior to payment of the Pengrowth Termination Fee, Monterey shall be deemed to hold such applicable payment in trust for Pengrowth.

If Monterey fails to pay such amount to Pengrowth within one Business Day of the day on which such amount became payable as a result of its inability to access available credit facilities or otherwise, it shall make such

payment to the full extent to which it is able within its then existing facilities and shall, subject to any required regulatory approvals and the consent of Monterey's lender under its credit facility, immediately issue a promissory note to Pengrowth evidencing the balance of such amount, which promissory note will be subordinated to Monterey's credit facility. Monterey covenants to pay the remaining balance as soon as it is able and to make partial payments as funds become available. Monterey agrees that it will not pay or otherwise satisfy any of the Monterey Change of Control Payments or any fees to its legal or financial advisors or otherwise make any payments outside of the ordinary course of business until the full amount of the Pengrowth Termination Fee has been paid to Pengrowth.

Amendment

The Arrangement Agreement provides that it may at any time and from time to time before or after the holding of the Meeting be amended by written agreement of the parties thereto without, subject to Applicable Law, further notice to or authorization on the part of their respective securityholders and any such amendment may, without limitation:

- (a) change the time for performance of any of the obligations or acts of the parties thereto;
- (b) waive any inaccuracies or modify any representation or warranty contained herein or in any document delivered pursuant to the Arrangement Agreement;
- (c) waive compliance with or modify any of the covenants herein contained and waive or modify performance of any of the obligations of the parties thereto; or
- (d) waive compliance with or modify any other conditions precedent contained herein;

provided that no such amendment reduces or materially adversely affects the consideration to be received by a Monterey Securityholder without approval by the affected securityholders given in the same manner as required for the approval of the Arrangement or as may be ordered by the Court.

The Arrangement Agreement also provides that the parties may by mutual agreement amend the Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment must be: (i) set out in writing; (ii) filed with the Court and, if made following the Meeting, approved by the Court; and (iii) communicated to holders of Monterey Common Shares or Monterey Options if and as required by the Court. The Arrangement Agreement further provides that other than as may be required under the Interim Order, any amendment to the Plan of Arrangement may be proposed by Monterey, or Pengrowth at any time prior to or at the Meeting (provided that the other parties shall have consented thereto) with or without any other prior notice or communication, and if so proposed and accepted by the persons voting at the Meeting, shall become part of the Plan of Arrangement for all purposes. Any amendment to the Plan of Arrangement that is approved by the Court following the Meeting shall be effective only if it is consented to by each of the Parties.

PRINCIPAL LEGAL MATTERS

Court Approval and Completion of the Arrangement

An arrangement under the ABCA requires Court approval. See "*The Arrangement – Procedure for the Arrangement Becoming Effective – Court Approval*".

Assuming that the Final Order is granted, and that the other conditions set forth in the Arrangement Agreement are satisfied or waived by the Party or Parties for whose benefit they exist, then the Articles of Arrangement will be filed with the Registrar to give effect to the Arrangement and all other arrangements and documents necessary to complete the Arrangement will be delivered as soon as reasonably practicable thereafter. Subject to receipt of the Final Order and the satisfaction of the other conditions to the completion of the Arrangement, the Effective Date of the Arrangement is expected to occur on or about September 15, 2010.

Securities Law Matters

The Corporation is a reporting issuer (or its equivalent) in the provinces Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick and Nova Scotia and accordingly is subject to Applicable Canadian Securities Laws of such provinces and territories that have adopted MI 61-101, including Ontario and Québec.

MI 61-101 is intended to regulate certain transactions to ensure equality of treatment among securityholders, generally requiring enhanced disclosure, approval by a majority of securityholders excluding interested or related parties, independent valuations and, in certain instances, approval and oversight of the transaction by a special committee of independent directors. The protections of MI 61-101 generally apply to "business combinations" which terminate the interests of securityholders without their consent.

The Arrangement may be considered to be a "business combination" for the purposes of MI 61-101 given that Pengrowth Corporation holds approximately 19.6% of the Monterey Common Shares, thereby requiring Monterey to obtain an independent valuation of the Monterey Common Shares and "minority approval" of the Arrangement.

The Special Committee retained WWCM to prepare the independent valuation required pursuant MI 61-101. See *"The Arrangement – Background to the Arrangement"*, *"Formal Valuation"* and *"The Plan of Arrangement – Interests of Directors and Senior Officers in the Arrangement"*.

In determining minority approval for a business combination, Monterey is required to exclude the votes attached to Monterey Securities that, to the knowledge of Monterey, are beneficially owned or over which control or direction is exercised by all "interested parties" and their "related parties" and "joint actors" all as defined in MI 61-101. For the purposes of MI 61-101, Pengrowth Corporation is an "interested party" and therefore may not vote for the purposes of determining minority approval for the Arrangement. Additionally, Mr. Christopher Webster, as a senior officer of Pengrowth Corporation and Mr. A. Terence Poole as a director of Pengrowth Corporation are "related parties" of Pengrowth Corporation and therefore may not vote for the purposes of determining minority approval for the Arrangement.

The directors and senior officers of Monterey and their affiliated entities and joint actors may also be considered to be interested parties and thereby excluded for the purposes of determining minority approval under MI 61-101 if they are entitled to receive, directly or indirectly, as a consequence of the Arrangement a "collateral benefit". For the purposes of MI 61-101, directors and senior officers of Monterey receive a "collateral benefit" if they are entitled to receive, subject to certain exceptions, directly or indirectly, as a consequence of the Arrangement, an increase in salary, a lump sum payment, a payment for surrendering securities, or other enhancement in benefits related to past or future services as an employee, director or consultant of Monterey or of another person, regardless of the existence of any offsetting costs to the related party or whether the benefit is provided, or agreed to, by Monterey or another party to the Arrangement.

Each of the directors and officers of Monterey holds Monterey Securities. If the Arrangement is completed, the vesting of all unvested Monterey Options is accelerated so that such Monterey Options are exercisable at the Effective Time. In addition, senior officers of Monterey will receive severance payments as a result of the Arrangement. The accelerated vesting of Monterey Options and the receipt of severance amounts may be considered to be "collateral benefits" received by the applicable directors and officers of Monterey for the purposes of MI 61-101. See *"The Arrangement – Interests of Directors and Officers in the Arrangement"* for detailed information regarding the benefits and other payments to be received by each of the directors and officers in connection with the Arrangement.

MI 61-101 expressly excludes benefits from being "collateral benefits" if such benefits are received solely in connection with the related party's services as an employee, director or consultant under certain circumstances, including where the related party beneficially owns or exercises control or direction over less than 1% of the outstanding securities at the time the Arrangement was agreed to and: (i) the benefit is not conferred for the purpose, in whole or in part, of increasing the value of the consideration paid to the related party for securities relinquished under the transaction; (ii) the conferring of the benefit is not, by its terms, conditional on the related party supporting the transaction in any manner; and (iii) full particulars of the benefit are disclosed in the disclosure document for the transaction. Each of the directors and senior officers of Monterey and their respective associated entities

beneficially owned, or exercise control or direction over, less than 1% of the outstanding Monterey Securities other than John Brussa, Donald Copeland, Patrick Manuel, Bill Meeuwissen and Amar Pandila, who hold 1.3%, 3.0%, 2.7%, 1.3% and 2.2%, respectively, of the outstanding Monterey Securities.

Benefits are also expressly excluded from being "collateral benefits" if: (i) the related party discloses to an independent committee the amount of the consideration that the related party expects that it will be beneficially entitled to receive under the terms of the transaction in exchange for equity securities beneficially owned by the related party; (ii) the independent committee, acting in good faith, determines that the value of the benefit, net of any offsetting costs to the related party, is less than 5% of the value referred to in (i); and (iii) the independent committee's determination is disclosed in the disclosure document for the transaction.

The Special Committee has determined that the value of any benefit to be received by Messrs. Brussa and Copeland is less than 5% of the total value of the consideration they expect to be entitled to receive under the Arrangement and therefore that Messrs. Brussa and Copeland will not receive a "collateral benefit" (as defined in MI 61-101). The Special Committee has determined that the value of any benefits to be received by Messrs. Manuel, Pandila and Meeuwissen may be greater than 5% of the total value of the consideration they expect to be entitled to receive under the Arrangement and therefore that Messrs. Manuel, Pandila and Meeuwissen may receive a "collateral benefit" (as defined in MI 61-101). As a result, Messrs. Manuel, Pandila and Meeuwissen will be excluded from vote for the purposes of determining minority approval for the Arrangement. See "*General Proxy Matters – Procedure and Votes Required*"

Judicial Developments

The Plan of Arrangement will be implemented pursuant to Section 193 of the ABCA, which provides that, where it is impractical to effect an arrangement under any other provision of the ABCA, a corporation may apply to the Court for an order approving the arrangement proposed by such corporation. Pursuant to this section of the ABCA, such an application will be made by Monterey for approval of the Arrangement. See "*The Arrangement – Procedure for the Arrangement Becoming Effective – Court Approval*". Although there have been a number of judicial decisions considering this section and applications to various arrangements, there have not been, to the knowledge of Monterey, any recent significant decisions which would apply in this instance. **Monterey Securityholders should consult their legal advisors with respect to the legal rights available to them in relation to the Arrangement.**

United States

The offer and sale of the Pengrowth Trust Units and Pengrowth Exchangeable Shares issuable under the Arrangement to Monterey Securityholders in exchange for their Monterey Securities have not been and will not be registered under the 1933 Act. Such securities will be issued in reliance upon the exemption from registration provided by Section 3(a)(10) of the 1933 Act. Section 3(a)(10) exempts the issuance of securities issued in exchange for one or more outstanding securities from the general requirement of registration where the terms and conditions of the issuance and exchange of such securities have been approved by any court of competent jurisdiction, after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all Persons to whom the securities will be issued have the right to appear and receive timely notice thereof. The Court is authorized to conduct a hearing at which the fairness of the terms and conditions of the Arrangement will be considered. The Court granted the Interim Order on August 12, 2010 and, subject to the approval of the Arrangement by Monterey Securityholders, a hearing on the Arrangement will be held on September 15, 2010 by the Court.

The Pengrowth Trust Units and Pengrowth Exchangeable Shares received by Monterey Securityholders pursuant to the Arrangement will be freely tradable under the 1933 Act, except by Persons who are "affiliates" of Pengrowth or Pengrowth Corporation after the Arrangement or were affiliates of Pengrowth or Pengrowth Corporation within 90 days prior to completion of the Arrangement. Persons who may be deemed to be "affiliates" of an issuer include individuals or entities that control, are controlled by, or are under common control with, the issuer, whether by ownership of voting securities, contract or otherwise, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer. Any resale of such Pengrowth Trust Units or Pengrowth Exchangeable Shares by such an affiliate (or, if applicable, former affiliate) may be subject to the registration

requirements of the 1933 Act, absent an exemption therefrom. Subject to certain limitations, such affiliates may immediately resell such Pengrowth Trust Units and Pengrowth Exchangeable Shares outside the United States without registration under the 1933 Act pursuant to and in accordance with Regulation S.

Section 3(a)(10) of the 1933 Act does not exempt the issuance of securities issued upon the conversion or exchange of securities initially issued pursuant to Section 3(a)(10). Therefore, the Pengrowth Exchangeable Shares may be exchanged for Pengrowth Trust Units only pursuant to an exemption or exclusion from the registration requirements of the 1933 Act and applicable state securities laws, and prior to any such exchange Pengrowth may require the delivery of a legal opinion or other evidence reasonably satisfactory to Pengrowth to the effect that the issuance of Pengrowth Trust Units upon such exchange is not required to be registered under the 1933 Act or applicable state securities laws.

The foregoing discussion is only a general overview of certain requirements of United States federal securities laws applicable to the resale of the Pengrowth Trust Units and Pengrowth Exchangeable Shares to be received upon completion of the Arrangement. **All holders of such securities are urged to consult with counsel to ensure that the resale of their securities complies with applicable securities legislation.**

Other Required Approvals

To the best knowledge of the Corporation, there are no filings, consents, waiting periods or approvals required to be made with, applicable to, or required to be received from any Governmental Authority in connection with the Arrangement except as described below and the Court's approval of the Final Order, which will be sought on or about September 15, 2010 and which is a condition to the completion of the Arrangement.

Stock Exchange Approval

The Monterey Common Shares are listed and posted for trading on the TSX. The Pengrowth Trust Units are listed and posted for trading on both the TSX and the NYSE. On July 9, 2010, the last trading day prior to announcement of the proposed Arrangement, the closing prices of the Monterey Common Shares and Pengrowth Trust Units on the TSX were \$4.28 and \$10.28, respectively. On August 10, 2010, the closing prices of the Monterey Common Shares and Pengrowth Trust Units on the TSX were \$8.18 and \$9.99, respectively.

It is a mutual condition to completion of the Arrangement that the TSX shall have conditionally approved the listing of the Pengrowth Trust Units to be issued pursuant to the Arrangement and that the NYSE shall have approved the listing of the Pengrowth Trust Units to be issued pursuant to the Arrangement, subject to official notice of issuance. The TSX has conditionally approved the listing of Pengrowth Trust Units to be issued pursuant to the Arrangement, subject to Pengrowth fulfilling the requirements of the TSX. In addition, application has been made to list the Pengrowth Trust Units to be issued pursuant to the Arrangement on the NYSE.

Competition Act Approval

The Arrangement is a "notifiable transaction" for the purposes of Part IX of the *Competition Act* (Canada) (the "**Competition Act**"). Pengrowth and the Corporation will jointly request that the Commissioner of Competition appointed under the Competition Act (the "**Commissioner**") issue an advance ruling certificate ("**ARC**") under Section 102 of the Competition Act or, alternatively, a "no action" letter in respect of the Arrangement together with a request for a waiver of the obligation to provide the prescribed information under Section 114 of the Competition Act. If the Commissioner issues an ARC and the Arrangement is substantially completed within one year after the ARC is issued, the Commissioner shall not apply to the Competition Tribunal under the merger provisions of the Competition Act in respect of the Arrangement solely on the basis of information that is the same or substantially the same as the information on the basis of which the ARC was issued. Alternatively, the Commissioner may issue a "no action" letter indicating that she is of the view that grounds do not exist to initiate proceedings before the Competition Tribunal under the merger provisions of the Competition Act with respect to the Arrangement, while preserving the authority to do so for one year following completion of the Arrangement should circumstances change.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Burnet, Duckworth & Palmer LLP, counsel ("**Counsel**") to Monterey, the following is, as of the date of this Information Circular, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to a Monterey Shareholder who disposes of Monterey Common Shares under the Arrangement and ultimately receives a combination of Pengrowth Trust Units or Pengrowth Exchangeable Shares or who dissents from the Arrangement and disposes of Monterey Common Shares to Monterey. This summary is applicable to a Monterey Shareholder who, at all relevant times, for purposes of the Tax Act, deals at arm's length and is not affiliated with Monterey, Pengrowth, Pengrowth Corporation or AcquisitionCo, and who holds all Monterey Common Shares, Pengrowth Trust Units and Pengrowth Exchangeable Shares as capital property. Generally, Monterey Common Shares, Pengrowth Trust Units and Pengrowth Exchangeable Shares will be considered capital property to a person for purposes of the Tax Act provided the person does not hold such securities in the course of carrying on a business and has not acquired such securities in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is not applicable to: (a) a Monterey Shareholder that is a "financial institution" or a "specified financial institution", as those expressions are defined in the Tax Act; (b) a Monterey Shareholder, an interest in which would be a "tax shelter" or "tax shelter investment" as those expressions are defined in the Tax Act; (c) a Monterey Shareholder who has elected to report its Canadian tax results in a currency other than the Canadian currency; (d) a Monterey Shareholder who, immediately following the exchange of Monterey Common Shares for AcquisitionCo Shares, either: (i) alone or together with other persons with whom such Monterey Shareholder does not deal at arm's length controls AcquisitionCo, or (ii) beneficially owns AcquisitionCo Shares which have a fair market value in excess of 50% of the fair market value of all of the outstanding AcquisitionCo Shares immediately following the exchange. Any such persons should consult their own tax advisors; or (e) Pengrowth Corporation.

This summary does not address the Canadian federal income tax considerations applicable to the exchange of Monterey Common Shares that were or are acquired or deemed to be acquired on the exercise of Monterey Options. Such Monterey Shareholders should consult their own tax advisors having regard to their own particular circumstances.

This summary assumes that Pengrowth currently qualifies as a "unit trust" and a "mutual fund trust" as defined by the Tax Act, and this summary assumes that Pengrowth will continue to so qualify. The qualification of Pengrowth as a mutual fund trust requires that certain factual conditions generally be met throughout its existence. Management of Pengrowth Corporation has advised that it is intended that the requirements will be satisfied so that Pengrowth will continue to so qualify, but in the event Pengrowth were not to so qualify, the income tax considerations would in some respects be materially different from those described below.

This summary is based on the facts set forth in this Information Circular, representations from Monterey and Pengrowth Corporation as to certain factual matters, the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act that have been publicly announced prior to the date hereof by the Minister of Finance (Canada) ("**Proposed Amendments**") and Counsel's understanding of the current published administrative and assessing practices and policies of the Canada Revenue Agency ("**CRA**") publicly available as of the date hereof. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account or anticipate any changes in the law or any changes in administrative or assessing practices or policies, whether by way of legislative, regulatory or judicial action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from the Canadian federal income tax considerations discussed herein. No assurance can be given that the Proposed Amendments will be enacted as currently proposed or at all.

This summary is of a general nature only and neither is intended to be, nor should be construed to be or relied upon as, legal, tax or business advice to any particular Monterey Securityholder. Consequently, Monterey Securityholders should consult their own advisors regarding the tax consequences applicable to them in their particular circumstances. Monterey Securityholders who are resident in, or who otherwise are subject to tax in, jurisdictions other than Canada should consult their own advisors with respect to the tax implications of the Arrangement, including any associated filing requirements, in such jurisdictions.

Taxation of Tax-Exempt Shareholders

Exchange of Monterey Common Shares for Pengrowth Trust Units

Pursuant to the Arrangement, each Tax-Exempt Shareholder (other than a Dissenting Monterey Securityholder) will transfer Monterey Common Shares to AcquisitionCo in exchange for Pengrowth Trust Units and will not be permitted to elect to receive Pengrowth Exchangeable Shares. Such Tax-Exempt Shareholders will generally not be liable for tax in respect of any capital gain realized on the disposition or deemed disposition of Monterey Common Shares or Pengrowth Trust Units or in respect of any distributions received from Pengrowth.

Eligibility for Investment

Provided that Pengrowth is a mutual fund trust at the Effective Time, and subject to the provisions of any particular registered plan or account, the Pengrowth Trust Units will, as of the Effective Time, be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered disability savings plans, registered education savings plans, deferred profit sharing plans and tax-free savings accounts.

Notwithstanding the foregoing, the holder of a tax-free savings account that governs a trust which holds Pengrowth Trust Units will be subject to a penalty tax if the holder does not deal at arm's length with Pengrowth for the purposes of the Tax Act or if the holder has a significant interest (within the meaning of the Tax Act) in Pengrowth or a corporation, partnership or trust with which Pengrowth does not deal at arm's length for the purposes of the Tax Act.

Taxation of Monterey Shareholders Resident in Canada

This section of the summary is applicable to a holder of Monterey Common Shares who acquires Pengrowth Exchangeable Shares or Pengrowth Trust Units pursuant to the Arrangement and who is, or is deemed to be, resident in Canada for purposes of the Tax Act (a "**Resident**").

Certain Resident Monterey Shareholders whose Monterey Common Shares or Pengrowth Trust Units might not qualify as capital property may be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have those units or shares, and any other "Canadian security", as defined in the Tax Act, owned in the year of the election and any subsequent taxation year, deemed to be capital property. Resident Monterey Shareholders contemplating making such election should first consult their own tax advisors. Based on representations of management of Pengrowth Corporation, any such election may not apply to deem Pengrowth Exchangeable Shares to be capital property.

A Resident Monterey Shareholder (other than a Tax-Exempt Shareholder) who elects to receive Pengrowth Exchangeable Shares and Ancillary Rights in respect of any particular Monterey Common Shares will, pursuant to the Arrangement, first be considered to transfer such Monterey Common Share to AcquisitionCo in exchange for AcquisitionCo Shares, which AcquisitionCo Shares will immediately thereafter be deemed to be transferred to Pengrowth Corporation in exchange for Pengrowth Exchangeable Shares and Ancillary Rights.

Dissenting Monterey Shareholders

Based on CRA administrative policy, a Dissenting Monterey Securityholder that is a Monterey Shareholder (a "**Dissenting Shareholder**") who disposes of Monterey Shares ("**Dissent Shares**") to Monterey under the Arrangement and receives payment from AmalCo (or any successor thereof) equal to the fair value of such Dissent Shares should be considered to have disposed of its Monterey Shares, as applicable, for proceeds of disposition equal to the amount paid to the Dissenting Shareholder for such shares, less the amount of any interest awarded by the Court. In such circumstances, the Dissenting Shareholder would realize a capital gain (or capital loss) to the extent that such proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of such disposed shares to such Dissenting Shareholder and any reasonable costs of disposition. The taxation of capital gains and capital losses is discussed below under the heading "*Taxation of Monterey Shareholders Resident in Canada - Taxation of Capital Gains and Capital Losses*".

To the extent that any amount received on dissent represents a dividend rather than a capital gain as discussed above, such amount will be subject to the treatment discussed under "*Taxation of Dividends on Pengrowth Exchangeable Shares*".

Interest awarded by the Court to a Dissenting Shareholder must be included in the Dissenting Shareholder's income for purposes of the Tax Act. Such a Dissenting Shareholder that is a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on certain investment income, including interest.

Exchange of Monterey Common Shares for Pengrowth Trust Units

A Resident Monterey Shareholder that exchanges Monterey Common Shares for Pengrowth Trust Units pursuant to the Arrangement will realize a capital gain (or capital loss) equal to the amount by which the fair market value of the Pengrowth Trust Units received exceeds (or is exceeded by) the adjusted cost base of the Monterey Common Shares so exchanged to the Resident Monterey Shareholder and any reasonable costs of disposition. The taxation of capital gains and capital losses is discussed below under the heading "*Taxation of Monterey Shareholders Resident in Canada - Taxation of Capital Gains and Capital Losses*".

Exchange of Monterey Common Shares for AcquisitionCo Shares

A Resident Monterey Shareholder (other than a Tax-Exempt Shareholder) who elects to receive Pengrowth Exchangeable Shares and Ancillary Rights in respect of any particular Monterey Common Shares will, pursuant to the Arrangement, first be considered to transfer such Monterey Common Shares to AcquisitionCo in exchange for AcquisitionCo Shares. Such Resident Monterey Shareholder will, unless such holder chooses to recognize a capital gain or capital loss on the exchange as described in the immediately following paragraph, be deemed to have disposed of such Monterey Common Shares for proceeds of disposition equal to the Resident Monterey Shareholder's adjusted cost base thereof. Such Resident Monterey Shareholder would therefore recognize neither a capital gain nor a capital loss in respect of the disposition and the adjusted cost base of the AcquisitionCo Shares received would be equal to the adjusted cost base of the Monterey Common Shares.

Notwithstanding the foregoing, a Resident Monterey Shareholder who elects to receive Pengrowth Exchangeable Shares and Ancillary Rights in respect of any particular Monterey Common Shares, and who, therefore, receives AcquisitionCo Shares in exchange for such Monterey Common Shares may, if the Resident Monterey Shareholder so chooses, recognize a capital gain (or a capital loss) in respect of such disposition by reporting the same in their income tax return for the taxation year during which the disposition occurs. Such capital gain (or capital loss) will be equal to the amount by which the fair market value of the AcquisitionCo Shares received exceeds (or is exceeded by) the aggregate of the adjusted cost base of the Monterey Common Shares exchanged and any reasonable costs of making the disposition. In such circumstances, the adjusted cost base of the AcquisitionCo Shares acquired will be equal to the fair market value thereof. Such capital gain (or capital loss) will be subject to the tax treatment described below under "*Taxation of Capital Gains and Capital Losses*".

It is not possible for a Monterey Shareholder to elect to recognize only a portion of the gain otherwise realized on a disposition of their Monterey Common Shares for AcquisitionCo Shares using the mechanism described in the preceding paragraph. Should a Monterey Shareholder desire to recognize only a portion of the gain otherwise realized on the disposition of their Monterey Common Shares pursuant to the Arrangement, such Monterey Shareholder should not report any gain in their income tax return and instead complete the joint tax election in respect of the deemed transfer of the AcquisitionCo Shares for Pengrowth Exchangeable Shares and Ancillary Rights. For a discussion of the joint tax election, see below under "*Exchange of AcquisitionCo Shares for Pengrowth Exchangeable Shares and Ancillary Rights*".

Exchange of AcquisitionCo Shares for Pengrowth Exchangeable Shares and Ancillary Rights

A Resident Monterey Shareholder who elects to receive Pengrowth Exchangeable Shares and Ancillary Rights in respect of any particular Monterey Common Shares, and who, therefore, receives AcquisitionCo Shares, will be deemed pursuant to the Arrangement to transfer such AcquisitionCo Shares received to Pengrowth Corporation in exchange for Pengrowth Exchangeable Shares and Ancillary Rights. Each Resident Monterey Shareholder who is

deemed to exchange such AcquisitionCo Shares for Pengrowth Exchangeable Shares and Ancillary Rights is entitled to make a joint tax election with Pengrowth Corporation under subsection 85(1) or 85(2) of the Tax Act, as applicable (and the analogous provisions of provincial income tax law), to defer any gain arising from the exchange of AcquisitionCo Shares for Pengrowth Exchangeable Shares and Ancillary Rights.

The extent of such tax deferral will depend on the amount specified in that election (the "**Elected Amount**") and the adjusted cost base of the AcquisitionCo Shares to such Resident Monterey Shareholder, which adjusted cost base will, provided such holder does not recognize a capital gain (or a capital loss) in respect of the transfer of Monterey Common Shares for AcquisitionCo Shares (as discussed above under "*Exchange of Monterey Common Shares for AcquisitionCo Shares*"), generally be equal to the Monterey Shareholder's adjusted cost base in their Monterey Common Shares immediately before the Effective Time. In order to make such election, the former Monterey Shareholder must provide two signed copies of the necessary election forms to Pengrowth Corporation within 120 days following the Effective Date, duly completed with the details of the number of shares transferred and the applicable agreed amounts for the purposes of such elections in accordance with the restrictions set out in subsections 85(1) and (2) of the Tax Act, as applicable. Thereafter, the election forms will be signed by Pengrowth Corporation and returned to such former Monterey Shareholders within 60 days after the receipt thereof by Pengrowth Corporation for filing with the CRA (or the applicable provincial taxing authority). Pengrowth Corporation will not be responsible for the proper completion of any election form and, except for the obligation of Pengrowth Corporation to so sign and return election forms which are received by Pengrowth Corporation within 120 days of the Effective Date, Pengrowth Corporation will not be responsible for any taxes, interest or penalties resulting from the failure by a former Monterey Shareholder to properly complete or file the election forms in the form and manner and within the time prescribed by the Tax Act (or any applicable provincial legislation). In its sole discretion, Pengrowth Corporation may choose to sign and return an election form received by it more than 120 days following the Effective Date, but Pengrowth Corporation will have no obligation to do so.

For Canadian federal income tax purposes, the relevant tax election form is Form T2057, entitled "Election on Disposition of Property by a Taxpayer to a Taxable Canadian Corporation", (or, if the Resident Monterey Shareholder is a partnership, Form T2058, entitled "Election on Disposition of Property by a Partnership to a Taxable Canadian Corporation"). A Resident Monterey Shareholder intending to make such an election should so indicate on the Letter of Transmittal accompanying this Information Circular in the space provided therein. Resident Monterey Shareholders should consult their own tax advisors to determine whether any separate provincial election forms are required.

In general, where the foregoing joint election is made:

1. the Elected Amount may not be less than the fair market value of any non-share consideration received (i.e. Ancillary Rights) and may not be less than the lesser of (i) the aggregate adjusted cost base to the Resident Monterey Shareholder of the AcquisitionCo Shares immediately prior to the exchange; and (ii) the fair market value of the AcquisitionCo Shares at that time; and
2. the Elected Amount may not exceed the fair market value of the AcquisitionCo Shares at the time of the exchange.

Elected Amounts which do not otherwise comply with the foregoing limitations will be automatically adjusted under the Tax Act so that they are not greater or less than the limits set out above.

Where a Resident Monterey Shareholder and Pengrowth Corporation make a joint election, the tax treatment to the Resident Monterey Shareholder generally will be as follows:

1. the Resident Monterey Shareholder will be deemed to dispose of the AcquisitionCo Shares for proceeds of disposition equal to the Elected Amount and to have acquired the Pengrowth Exchangeable Shares at a cost equal to such Elected Amount less the fair market value of the Ancillary Rights;
2. if such deemed proceeds of disposition, net of any reasonable costs incurred by the Resident Monterey Shareholder in connection with the exchange, do not exceed the adjusted cost base to the Resident

Monterey Shareholder of the AcquisitionCo Shares immediately prior to the exchange, the Resident Monterey Shareholder will not realize any capital gain on the exchange; and

3. if such deemed proceeds of disposition, net of any reasonable costs incurred by the Resident Monterey Shareholder in connection with the exchange, exceed the adjusted cost base to the Resident Monterey Shareholder of the AcquisitionCo Shares immediately prior to the exchange, such shareholder generally will realize a capital gain equal to the amount of such excess.

Where Monterey Common Shares are held as partnership property, a partner designated by the partnership must file one copy of Form T2058 on behalf of all members of the partnership. Such Form T2058 must be accompanied by a list containing the name, address and social insurance number or tax account number of each partner as well as the letter or agreement signed by each partner authorizing the designated partner to complete and file the form.

A Resident Monterey Shareholder who receives Pengrowth Exchangeable Shares under the Arrangement will also receive the Ancillary Rights. Such Resident Monterey Shareholder will be required to account for these Ancillary Rights in determining the proceeds of disposition of AcquisitionCo Shares and the cost of Pengrowth Exchangeable Shares received in consideration therefor. Management of Monterey has advised Counsel that they are of the view that the Ancillary Rights have only nominal fair market value. This determination of value is not binding on the CRA and it is possible that the CRA could take a contrary view. Counsel expresses no opinion on such matters of factual determination.

Counsel has been advised by management of Pengrowth Corporation that the joint elections will be executed by Pengrowth Corporation on the basis that the fair market value of the Ancillary Rights is a nominal amount per Pengrowth Exchangeable Share issued on the exchange. This amount will be provided to Resident Monterey Shareholders in the letter of instructions included in the tax election package.

A Resident Monterey Shareholder who has elected to receive Pengrowth Exchangeable Shares but does not file a valid joint election form (as described above) will be considered to have disposed of his, her or its AcquisitionCo Shares for proceeds of disposition equal to the fair market value of the consideration received thereof. The Resident Monterey Shareholder will realize a capital gain (or a capital loss) to the extent the aggregate fair market value of the Pengrowth Exchangeable Shares and Ancillary Rights at that time of the exchange, net of any reasonable costs of disposition, exceeds (or are exceeded by) the adjusted cost base of such AcquisitionCo Shares. The cost to the holder of the Pengrowth Exchangeable Shares acquired in these circumstances will be equal to the fair market value at the time of the exchange of such Pengrowth Exchangeable Shares. The taxation of capital gains and capital losses is discussed below under the heading "*Taxation of Monterey Shareholders Resident in Canada - Taxation of Capital Gains and Capital Losses*".

Disposition of Pengrowth Exchangeable Shares or Pengrowth Trust Units

On the redemption (including retraction) of a former Monterey Shareholder's Pengrowth Exchangeable Shares, such former Monterey Shareholder will be deemed to receive a dividend equal to the amount, if any, by which the fair market value at that time of the Pengrowth Trust Units received by such holder from Pengrowth Corporation on the redemption (the "**Redemption Proceeds**") exceeds the "paid-up capital" (as defined in the Tax Act) of the Pengrowth Exchangeable Share at that time for the purposes of the Tax Act. The tax consequences arising from the deemed receipt of such dividend are discussed below under "*Taxation of Dividends on Pengrowth Exchangeable Shares*". In addition, the former Monterey Shareholder will be considered to have disposed of the Pengrowth Exchangeable Share for proceeds of disposition equal to the Redemption Proceeds less the amount of the deemed dividend arising on the redemption. Such former Monterey Shareholder generally will realize a capital gain (or a capital loss) equal to the amount by which such proceeds of disposition, net of any reasonable costs incurred by such holder in connection with the redemption, exceed (or are less than) the adjusted cost base to the former Monterey Shareholder of the Pengrowth Exchangeable Share. The taxation of capital gains or capital losses is described below under "*Taxation of Capital Gains and Capital Losses*".

The cost to a former Monterey Shareholder of a Pengrowth Trust Unit received on redemption (including retraction) of an Pengrowth Exchangeable Share will be equal to the fair market value of such Pengrowth Trust Unit at that time, and will be averaged with the adjusted cost base of all other Pengrowth Trust Units held by the Exchangeable

Shareholder as capital property in determining the adjusted cost base to Exchangeable Shareholder of each Pengrowth Trust Unit.

Where a former Monterey Shareholder disposes of a Pengrowth Exchangeable Share (other than to Pengrowth Corporation pursuant to a redemption or retraction, but including on an exchange of the Pengrowth Exchangeable Shares for Pengrowth Trust Units on the exercise of a retraction call right or a redemption call right by Pengrowth or a subsidiary thereof) or disposes of a Pengrowth Trust Unit, the disposition will result in a capital gain (or a capital loss) to the extent that the proceeds of disposition exceed (or are exceeded by) the adjusted cost base to the former Monterey Shareholder of the Pengrowth Exchangeable Share or the Pengrowth Trust Unit, as the case may be, and any reasonable costs of disposition. The taxation of capital gains and capital losses is discussed below under the heading "*Taxation of Monterey Shareholders Resident in Canada - Taxation of Capital Gains and Capital Losses*".

Taxation of Dividends on Pengrowth Exchangeable Shares

An individual who receives or is deemed to receive dividends on the Pengrowth Exchangeable Shares generally will be required to include in computing income for the year the amount of such dividends and will be subject to the gross up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations. To the extent that Pengrowth Corporation, as the case may be, designates such dividends as "eligible dividends" in the prescribed manner for purposes of the Tax Act, the holder will be subject to the enhanced gross-up and dividend tax credit rules. There may be limitations on the ability of Pengrowth Corporation, as the case may be, to designate taxable dividends as "eligible dividends. Dividends received or deemed to be received by a Resident Monterey Shareholder who is an individual (including certain trusts) may give rise to a liability for minimum tax under the Tax Act.

A corporation that receives or is deemed to receive dividends either on the Pengrowth Exchangeable Shares generally will be required to include in computing income for the year the amount of such dividends, and normally that same amount will be deductible in computing its taxable income to the extent and in the circumstances provided in the Tax Act.

A Resident Monterey Shareholder that is a "private corporation", as defined in the Tax Act, or any other corporation resident in Canada and controlled or deemed to be controlled by or for the benefit of an individual (other than a trust) or a "related group", as defined in the Tax Act, of individuals (other than trusts) may be liable to pay a refundable tax under Part IV of the Tax Act of 33 $\frac{1}{3}$ % on any dividends received on the Pengrowth Exchangeable Shares to the extent that such dividends are deductible in computing the holder's taxable income.

Taxation of Pengrowth Trust Units

Under the existing provisions of the Tax Act, a Resident Unitholder that is a resident of Canada for purposes of the Tax Act is generally required to include in computing income for a particular taxation year that portion of the net income of Pengrowth that is paid or payable to the Unitholder in that taxation year and such income to the Unitholder will generally be considered to be ordinary income from property.

Pursuant to the SIFT Rules, amounts in respect of Pengrowth's income payable to Unitholders that is not deductible by Pengrowth will be treated as a taxable dividend from a taxable Canadian corporation. It is expected that the SIFT Rules will apply to deem such non-deductible amounts as dividends after December 31, 2010.

Dividends received or deemed to be received by an individual (other than certain trusts) will be included in computing the individual's income for tax purposes and will be subject to the enhanced gross-up and dividend tax credit rules under the Tax Act normally applicable to eligible dividends received from taxable Canadian corporations.

Dividends received or deemed to be received by a holder that is a corporation will generally be deductible in computing the corporation's taxable income. Certain corporations, including private corporations or subject corporations (as such terms are defined in the Tax Act), may be liable to pay a refundable tax under Part IV of the Tax Act of 33 $\frac{1}{3}$ % on dividends received or deemed to be received to the extent that such dividends are deductible in computing taxable income.

Returns of capital are, and will be under the SIFT Rules, generally tax deferred for Unitholders who are resident in Canada for purposes of the Tax Act and will reduce such Unitholder's adjusted cost base in the Trust Units for purposes of the Tax Act.

Taxation of Capital Gains and Capital Losses

Generally, one half of any capital gain (a "**taxable capital gain**") realized by a Resident Monterey Shareholder in a taxation year must be included in the income of the Resident Monterey Shareholder for that year, and one half of any capital loss (an "**allowable capital loss**") realized by a Monterey Shareholder in a taxation year must be deducted from taxable capital gains realized by the Monterey Shareholder in that year, to the extent and under the circumstances described in the Tax Act. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized on the disposition or deemed disposition of Monterey Common Shares, AcquisitionCo Shares or Pengrowth Exchangeable Shares, as the case may be, by a holder thereof that is a corporation may be reduced by the amount of dividends received or deemed to have been received by it on such shares to the extent and in the circumstances prescribed in the Tax Act. Analogous rules may apply where a corporation is, directly or through a trust or partnership, a beneficiary of a trust or a member of a partnership that owns such shares.

A Resident Monterey Shareholder that is a "Canadian controlled private corporation", as defined in the Tax Act, may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on certain investment income, including taxable capital gains. Capital gains realized by a Resident Monterey Shareholder who is an individual (including certain trusts) may give rise to a liability for minimum tax under the Tax Act.

Taxation of Monterey Shareholders Not Resident in Canada

This section of the summary is applicable to a holder of Monterey Common Shares or Pengrowth Trust Units, as the case may be, who acquires Pengrowth Trust Units pursuant to the Arrangement, who is not, or is deemed not to be, resident in Canada for purposes of the Tax Act (including a partnership that is not a "Canadian partnership" for purposes of the Tax Act) and any applicable income tax treaty or convention to which Canada is a party and who does not use or hold, and is not deemed to use or hold, Monterey Common Shares or any securities received in exchange for such Monterey Common Shares pursuant to the Arrangement in connection with carrying on a business in Canada (a "**Non-Resident**"). Special rules not discussed in this summary may apply to a non-resident insurer carrying on an insurance business in Canada and elsewhere; such insurers should consult their own tax advisors.

Dissenting Monterey Shareholders

Based on CRA administrative policy, a Dissenting Shareholder who is a Non-Resident and who disposes of Dissent Shares to Monterey under the Arrangement and receives payment from AmalCo (or any successor thereof) equal to the fair value of such Dissent Shares should not be subject to any tax under the Tax Act unless such Dissent Shares constitute "taxable Canadian property" at the time of their disposition and no relief is available under an applicable income tax treaty or convention. See the discussion below regarding taxable Canadian property under the heading "*Taxation of Monterey Shareholders Not Resident in Canada – Exchange of Monterey Common Shares for Pengrowth Trust Units*".

To the extent that any amount received by a Dissenting Shareholder who is a Non-Resident represents a dividend paid or credited to such holder (rather than a capital gain as discussed above), such amount will be subject to Canadian withholding tax at a rate of 25 percent, unless such rate is reduced under the provisions of a convention between Canada and the Non-Resident Dissenting Shareholder's jurisdiction of residence. A Non-Resident Dissenting Shareholder resident in the United States who is entitled to claim the benefit of the Canada-United States Tax Convention, 1980, as amended, (the "**Canada-U.S. Convention**") generally will be entitled to have the rate of withholding reduced to 15 percent of the amount of such dividend.

Interest awarded by the Court to a Non-Resident Dissenting Shareholder will not be subject to tax in Canada.

Exchange of Monterey Common Shares for Pengrowth Trust Units

Pursuant to the Arrangement, Non-Resident Monterey Shareholders (other than a Non-Resident Dissenting Shareholder) will transfer their Monterey Common Shares to AcquisitionCo in exchange for Pengrowth Trust Units and will not be permitted to elect to receive Pengrowth Exchangeable Shares. A Non-Resident Monterey Shareholder generally will not be subject to tax in Canada in respect of such exchange unless such holder's Monterey Common Shares constitute "taxable Canadian property", as defined in the Tax Act, at the time of disposition and the Non-Resident Monterey Shareholder is not entitled to relief from Canadian taxation under an applicable income tax treaty or convention to which Canada is a party.

Based on representations of management of Monterey, provided the Monterey Common Shares are listed on a designated stock exchange at the Effective Time, such Monterey Common Shares will generally not constitute taxable Canadian property to a Non-Resident Monterey Shareholder unless: (a) at any time during the sixty (60) month period that ends at the Effective Time, the Non-Resident Monterey Shareholder, persons with whom the Non-Resident Monterey Shareholder does not deal at arm's length, or the Non-Resident Monterey Shareholder together with all such persons, owned 25% or more of any class or series of shares in the capital stock of the Monterey; or (b) the Monterey Common Shares are otherwise deemed under the Tax Act to be taxable Canadian property to the Non-Resident Monterey Shareholder.

In the event the Monterey Common Shares constitute or are deemed to constitute taxable Canadian property to a Non-Resident Monterey Shareholder, such holder will realize a capital gain (or capital loss) equal to the amount by which the aggregate of the fair market value of the Pengrowth Trust Units received in exchange for such holder's Monterey Common Shares exceed (or are exceeded by) the adjusted cost base of the Monterey Common Shares to such holder. The tax consequences of realizing a capital gain, which are described above under the heading "*Taxation of Monterey Shareholders Resident in Canada - Taxation of Capital Gains and Capital Losses*", generally will apply, subject to the Non-Resident Monterey Shareholder being entitled to relief under the provisions of an applicable income tax treaty or convention. Non-Resident Monterey Shareholders to whom Monterey Common Shares may constitute taxable Canadian property should consult their own tax advisors having regard to their particular circumstances.

Disposition of Pengrowth Trust Units

A Non-Resident Monterey Shareholder generally will not be subject to tax in Canada in respect of the disposition of Pengrowth Trust Units unless such Pengrowth Trust Units constitute "taxable Canadian property", as defined in the Tax Act, to such holder at the time of disposition and the Non-Resident Monterey Shareholder is not entitled to relief from Canadian taxation under an applicable income tax treaty or convention to which Canada is a party.

Based on representations of management of Pengrowth Corporation, provided that Pengrowth is a mutual fund trust at the Effective Time, such Pengrowth Trust Units will generally not constitute taxable Canadian property to a Non-Resident unless, at any time during the sixty (60) month period that ends at the time of disposition, the Non-Resident, persons with whom the Non-Resident does not deal at arm's length, or the Non-Resident together with all such persons, owned 25% or more of the issued units of Pengrowth.

In the event the Pengrowth Trust Units constitute taxable Canadian property to a Non-Resident Monterey Shareholder, such holder will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition exceed (or are exceeded by) the adjusted cost base of the Pengrowth Trust Units to the Non-Resident Monterey Shareholder. The tax consequences of realizing a capital gain, which are described above under the heading "*Taxation of Monterey Shareholders Resident in Canada - Taxation of Capital Gains and Capital Losses*", generally will apply, subject to the Non-Resident Monterey Shareholder being entitled to relief under the provisions of an applicable income tax treaty or convention to which Canada is a party. Non-Resident Monterey Shareholders to whom Pengrowth Trust Units may constitute taxable Canadian property should consult their own tax advisors having regard to their particular circumstances.

Taxation of Pengrowth Trust Units

Under the existing provisions of the Tax Act, any distribution of income by the Trust to a Non-Resident Unitholder will be subject to Canadian withholding tax at the rate of 25 percent unless such rate is reduced under the provisions of a convention between Canada and the Non-Resident Unitholder's jurisdiction of residence. A Non-Resident Unitholder resident in the United States who is entitled to claim the benefit of the Canada-United Convention will generally be entitled to have the rate of withholding reduced to 15 percent of the amount of any income distributed. Under the Canada-U.S. Convention, certain tax-exempt organizations resident in the U.S. may be entitled to an exemption from Canadian withholding tax.

Pursuant to the SIFT Rules (which are expected to apply to Pengrowth after December 31, 2010), amounts in respect of Pengrowth's income payable to Non-Resident Unitholders that are not deductible to Pengrowth will be treated as a taxable dividend from a taxable Canadian corporation. Such dividends will be subject to Canadian withholding tax at a rate of 25 percent, unless such rate is reduced under the provisions of a convention between Canada and the Non-Resident Unitholder's jurisdiction of residence. A Non-Resident Unitholder resident in the United States who is entitled to claim the benefit of the Canada-US Convention generally will be entitled to have the rate of withholding reduced to 15 percent of the amount of such dividend. Although the SIFT Rules may not increase the tax payable by Non-Resident Unitholders in respect of dividends deemed to be paid by Pengrowth, it is expected that the imposition of tax at the Pengrowth level under the SIFT Rules would materially reduce the amount of cash available for distributions to Unitholders should Pengrowth not convert to a corporation.

Returns of capital to a Unitholder who is not a resident of Canada for purposes of the Tax Act or is a partnership that is not a "Canadian partnership" for purposes of the Tax Act are, and will be under the SIFT Rules, subject to a 15 percent Canadian withholding tax.

On September 21, 2007, Canada and the United States signed the fifth protocol to the Canada-U.S. Convention (the "**Protocol**"). The Protocol came into force on December 15, 2008, when the two countries formally notified each other that their procedures were complete. The Protocol contains new Article IV(7)(b), a treaty benefit denial rule, which would have increased the Canadian withholding tax on Pengrowth's distributions to Non-Resident Unitholders who are residents of the U.S. for the purposes of the Canada-US Convention from 15 percent to 25 percent commencing on January 1, 2010 had Pengrowth not elected to be a corporation for United States federal income tax purpose on July 1, 2009. The effect of Pengrowth's election to be treated as a corporation is to maintain the current withholding tax rate of 15 percent and not subject its U.S. investors to an increase in the 15 percent withholding tax on their distributions starting January 1, 2010. Returns of capital would still be subject to a 15 percent Canadian withholding tax and such rate is not modified by the Protocol. The Protocol also contains measures which, generally speaking, are designed to limit the benefits under the Canada-U.S. Convention to "treaty shopping" transactions or arrangements.

The SIFT Rules may have a material and adverse impact on Pengrowth and its Unitholders. Unitholders are urged to consult their own tax advisors having regard to their own particular circumstances should Unitholders not approve Pengrowth's conversion to a corporation.

Taxation of Pengrowth

SIFT Rules

On October 31, 2006, the Minister of Finance (Canada) announced new proposals (the "**SIFT Rules**") that will change the manner in which certain flow-through entities, including mutual fund trusts, referred to as "specified investment flow-through" entities or "SIFTs", and the distributions from such entities are taxed. The SIFT Rules will apply a tax at the trust level on distributions of certain income from such a SIFT entity at a rate of tax comparable to the combined federal and provincial corporate tax rate and will result in the distributions from SIFT entities being treated as dividends to the recipient. The SIFT Rules became law when Bill C-52 received Royal Assent on June 22, 2007, and, for the purposes of Pengrowth, the SIFT Rules are expected to take effect (based on certain limitations discussed below) on January 1, 2011.

Should Pengrowth not convert to a corporation, it is expected that Pengrowth will continue to be characterized as a SIFT trust and as a result will be subject to the SIFT Rules. The SIFT Rules will not apply to SIFTs that were publicly traded on October 31, 2006 ("**Grandfathered SIFTs**"), such as Pengrowth, until January 1, 2011. However, the SIFT Rules indicate that any "undue expansion" of a Grandfathered SIFT between October 31, 2006 and January 1, 2011 (the "**Interim Period**"), may cause the application of the SIFT Rules to the Grandfathered SIFT to occur before January 1, 2011. Following the October 31, 2006 announcement, the Minister of Finance (Canada) issued a press release on December 15, 2006 wherein it provided guidelines (the "**Normal Growth Guidelines**") as to what would be considered "normal growth" as opposed to "undue expansion". The Normal Growth Guidelines are incorporated by reference into the SIFT Rules.

Under the Normal Growth Guidelines, a SIFT trust will be considered to have experienced only "normal growth" if its issuances of new equity, which includes trust units and debt convertible into trust units, do not exceed certain thresholds measured by reference to the SIFT trust's market capitalization as of the close of trading on October 31, 2006, taking into account only the SIFT trust's publicly traded units and not any securities, whether or not listed, that are convertible into or exchangeable for units. Pengrowth's market capitalization on October 31, 2006 was approximately \$4.8 billion. Management of Pengrowth Corporation has advised Counsel that Pengrowth has not exceeded the Normal Growth Guidelines from October 31, 2006 to the date hereof and Pengrowth will not exceed the Normal Growth Guidelines as a result of the Arrangement. It is therefore assumed, for the purposes of this summary, that Pengrowth will not be subject to the SIFT Rules until January 1, 2011. No assurance can be provided that the SIFT Rules will not apply to Pengrowth prior to 2011.

Under the existing provisions of the Tax Act, Pengrowth can generally deduct in computing its income for a taxation year any amount of income that it distributes to Unitholders in the year and, on that basis, Pengrowth is generally not liable for any material amount of tax. The SIFT Rules will change the manner in which Pengrowth and its distributions are taxed beginning January 1, 2011 (provided that Pengrowth is not considered to have undergone an "undue expansion" during the Interim Period, as set out in the Normal Growth Guidelines, which could result in the SIFT Rules applying to Pengrowth at an earlier date). More specifically, Pengrowth will not be able to deduct certain portions of its distributed income (referred to as "specified income") and will become subject to a distribution tax on such specified income at a special tax rate that approximates the tax rate applicable to a taxable Canadian corporation should it remain a SIFT after January 1, 2011.

The SIFT Rules indicate that no change will be recommended to the 2011 date in respect of any SIFT whose equity capital grows as a result of issuances of new equity (which includes trust units, debt that is convertible into trust units, and potentially other substitutes for such equity), before 2011, by an amount that does not exceed the greater of \$50 million and an objective "safe harbour" amount based on a percentage of the SIFT's market capitalization as of the end of trading on October 31, 2006 (measured in terms of the value of a SIFT's issued and outstanding publicly-traded units, not including debt, options or other interests that were convertible into units of the SIFT). However, under the SIFT Rules, in the event that Pengrowth issues additional Pengrowth Trust Units or convertible debentures (or other equity substitutes) on or before 2011, and as a result of the issuances exceeds these limitations, Pengrowth may become subject to the SIFT Rules prior to 2011. No assurance can be provided that the SIFT Rules will not apply to the Pengrowth prior to 2011. Loss of this status may result in material adverse tax consequences for Pengrowth and its Unitholders. It is assumed for the purposes of this Information Circular, that Pengrowth will not be subject to the SIFT Rules until January 1, 2011.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of certain U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) who disposes of Monterey Common Shares under the Arrangement and receives Pengrowth Trust Units or who dissents from the Arrangement. This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder as a result of the Arrangement or as a result of the ownership and disposition of Pengrowth Trust Units received pursuant to the Arrangement. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences to such U.S. Holder, including specific tax consequences to a U.S. Holder under an applicable tax treaty. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. Each U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S.

state and local, and foreign tax consequences of the Arrangement and the ownership and disposition of Pengrowth Trust Units received pursuant to the Arrangement.

No legal opinion from U.S. legal counsel or ruling from the Internal Revenue Service (the "IRS") has been requested, or will be obtained, regarding the U.S. federal income tax consequences to U.S. Holders as a result of the Arrangement and the ownership and disposition of Pengrowth Trust Units received pursuant to the Arrangement. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the positions taken in this summary.

NOTICE PURSUANT TO IRS CIRCULAR 230: NOTHING CONTAINED IN THIS SUMMARY CONCERNING ANY U.S. FEDERAL TAX ISSUE IS INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED, BY A U.S. HOLDER, FOR THE PURPOSE OF AVOIDING U.S. FEDERAL TAX PENALTIES UNDER THE CODE (AS DEFINED BELOW). THIS SUMMARY WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED BY THIS DOCUMENT. EACH U.S. HOLDER SHOULD SEEK U.S. FEDERAL TAX ADVICE, BASED ON SUCH U.S. HOLDER'S PARTICULAR CIRCUMSTANCES, FROM AN INDEPENDENT TAX ADVISOR.

Scope of This Disclosure

Authorities

This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations (whether final, temporary, or proposed), published rulings of the IRS, published administrative positions of the IRS, the Canada-U.S. Convention, and U.S. court decisions that are applicable and, in each case, as in effect and available, as of the date of this Information Circular. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive or prospective basis which could affect the U.S. federal income tax considerations described in this summary. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive or prospective basis.

U.S. Holders

For purposes of this summary, the term "U.S. Holder" means a beneficial owner of Monterey Common Shares participating in the Arrangement (or after the Arrangement, Pengrowth Trust Units) or exercising Dissent Rights pursuant to the Arrangement that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the U.S.;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the U.S., any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (a) is subject to the primary supervision of a court within the U.S. and the control of one or more U.S. persons for all substantial decisions or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

Non-U.S. Holders

For purposes of this summary, a "non-U.S. Holder" is a beneficial owner of Monterey Common Shares participating in the Arrangement or exercising Dissent Rights that is not a U.S. Holder. This summary does not address the U.S. federal income tax consequences applicable to non-U.S. Holders arising from the Arrangement or the ownership and

disposition of Pengrowth Trust Units received pursuant to the Arrangement. Accordingly, a non-U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences (including the potential application of and operation of any income tax treaties) relating to the Arrangement, and the ownership and disposition of Pengrowth Trust Units received pursuant to the Arrangement.

Transactions and Persons Not Addressed

This summary does not address the U.S. federal income tax consequences of transactions effected prior or subsequent to, or concurrently with, or as part of the Arrangement (whether or not any such transactions are undertaken in connection with the Arrangement), including, without limitation, the following:

- the exchange of Monterey Options for CCPC Options Shares; and
- the exchange of Monterey Common Shares for Pengrowth Exchangeable Shares by U.S. Holders who are also Residents of Canada.

In addition, this summary does not address the U.S. federal income tax consequences to other persons not specifically addressed in this summary, including, without limitation, the consequences to persons of holding Pengrowth Exchangeable Shares.

U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax considerations of the Arrangement to U.S. Holders that are subject to special provisions under the Code, including the following: (a) U.S. Holders that are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) U.S. Holders that are financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies; (c) U.S. Holders that are broker-dealers, dealers, or traders in securities or currencies that elect to apply a mark-to-market accounting method; (d) U.S. Holders that have a "functional currency" other than the U.S. dollar; (e) U.S. Holders that own Monterey Common Shares (or after the Arrangement, Pengrowth Trust Units) as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (f) U.S. Holders that acquired Monterey Common Shares (or after the Arrangement, Pengrowth Trust Units) in connection with the exercise of employee stock options or otherwise as compensation for services; (g) U.S. Holders that hold Monterey Common Shares (or after the Arrangement, Pengrowth Trust Units) other than as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment purposes); (h) partnerships and other pass-through entities (and investors in such partnerships and entities); and (i) U.S. Holders that own, or will own after the Effective Time, directly, indirectly, or by attribution, 5% or more, by voting power or value, of the outstanding Monterey Common Shares (or after the Arrangement, Pengrowth Trust Units). This summary also does not address the U.S. federal income tax considerations applicable to U.S. Holders who are (a) U.S. expatriates or former long-term residents of the U.S.; (b) persons that have been, are, or will be a resident or deemed to be a resident in Canada for purposes of the Income Tax Act; (c) persons that use or hold, will use or hold, or that are or will be deemed to use or hold Monterey Common Shares (or after the Arrangement, Pengrowth Trust Units) in connection with carrying on a business in Canada; (d) persons whose Monterey Common Shares (or after the Arrangement, Pengrowth Trust Units) constitute "taxable Canadian property" under the Income Tax Act; or (e) persons that have a permanent establishment in Canada for the purposes of the Canada-U.S. Tax Convention. U.S. Holders that are subject to special provisions under the Code, including U.S. Holders described immediately above, should consult their own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences relating to the Arrangement and the ownership and disposition of Pengrowth Trust Units received pursuant to the Arrangement.

If an entity that is classified as a partnership (or "pass-through" entity) for U.S. federal income tax purposes holds Monterey Common Shares (or after the Arrangement, Pengrowth Trust Units), the U.S. federal income tax consequences to such partnership and the partners of such partnership of participating in the Arrangement and the ownership of Pengrowth Trust Units received pursuant to the Arrangement generally will depend on the activities of

the partnership and the status of such partners. Partners of entities that are classified as partnerships for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences of the Arrangement and the ownership and disposition of Pengrowth Trust Units received pursuant to the Arrangement.

Other Tax Consequences Not Addressed

This summary does not address the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences to U.S. Holders resulting from the Arrangement or the ownership and disposition of Pengrowth Trust Units received pursuant to the Arrangement. Each U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences of the Arrangement and the ownership and disposition of Pengrowth Trust Units received pursuant to the Arrangement.

Certain U.S. Federal Income Tax Consequences of the Arrangement

The Arrangement should be characterized as a taxable transaction with the resulting tax consequences discussed below. Neither the Corporation nor Pengrowth has sought or obtained either a ruling from the IRS or an opinion of counsel regarding any of the tax consequences of the Arrangement. U.S. Holders should consult their own U.S. tax advisors regarding the proper tax reporting of the Arrangement.

If the Arrangement is characterized as a taxable transaction, the following U.S. federal income tax consequences will result for U.S. Holders:

- a U.S. Holder will recognize gain or loss in an amount equal to the difference, if any, between (i) the fair market value (expressed in U.S. dollars) of the Pengrowth Trust Units received in exchange for Monterey Common Shares pursuant to the Arrangement and (ii) the adjusted tax basis (expressed in U.S. dollars) of such U.S. Holder in Monterey Common Shares exchanged;
- the tax basis of a U.S. Holder in the Pengrowth Trust Units received in exchange for Monterey Common Shares pursuant to the Arrangement would be equal to the fair market value of such Pengrowth Trust Units on the date of receipt; and
- the holding period of a U.S. Holder for the Pengrowth Trust Units received in exchange for Monterey Common Shares pursuant to the Arrangement will begin on the day after the date of receipt.

If the Corporation is not classified as a PFIC (as defined below) for any tax year in which a U.S. Holder held Monterey Common Shares, any gain or loss described in clause (a) immediately above generally would be capital gain or loss, which will be long-term capital gain or loss if such Monterey Common Shares are held for more than one year. Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to complex limitations under the Code.

U.S. Holders Exercising Dissent Rights

A U.S. Holder that exercises Dissent Rights in the Arrangement and is paid cash in exchange for all of such U.S. Holder's Monterey Common Shares generally will recognize gain or loss in an amount equal to the difference, if any, between (a) the amount of cash received by such U.S. Holder in exchange for Monterey Common Shares (other than amounts, if any, that are or are deemed to be interest for U.S. federal income tax purposes, which amounts will be taxed as ordinary income) and (b) the tax basis of such U.S. Holder in such Monterey Common Shares surrendered. Subject to the PFIC rules discussed in this summary, such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if such Monterey Common Shares are held for more than one year. Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. Deductions for capital losses are subject to complex limitations under the Code.

Ownership of Pengrowth Trust Units

Classification of Pengrowth as a Foreign Corporation

Pengrowth has advised the Corporation that, although Pengrowth is organized as an unincorporated trust under Canadian law, Pengrowth is classified as a foreign corporation for United States federal income tax purposes. Accordingly, Pengrowth Trust Units should be treated as shares of stock of a foreign corporation for United States federal income tax purposes. The discussion below reflects this classification and employs terminology consistent with this classification, including references to "dividends" and "earnings and profits." In the event that Pengrowth is not treated as a corporation for U.S. federal income tax purposes, the tax consequences described below will be materially different.

Distributions With Respect to Pengrowth Trust Units

Subject to the PFIC rules discussed below, a U.S. Holder that receives a distribution (including a constructive distribution, but excluding certain pro rata distributions of stock described in Section 305 of the Code) with respect to the Pengrowth Trust Units will be required to include the amount of such distribution in gross income as a dividend (without reduction for any Canadian income tax withheld from such distribution) to the extent of the current or accumulated "earnings and profits" of Pengrowth, as determined under U.S. federal income tax rules. To the extent that a distribution exceeds the current and accumulated "earnings and profits" of Pengrowth, such distribution will be treated (a) first, as a tax-free return of capital to the extent of a U.S. Holder's tax basis in the Pengrowth Trust Units, and (b) thereafter, as gain from the sale or exchange of such Pengrowth Trust Units. (See more detailed discussion below under the heading "*Disposition of Pengrowth Trust Units*"). However, Pengrowth may not maintain the calculations of earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder therefore may have to assume that any distribution by Pengrowth with respect to Pengrowth Trust Units will constitute ordinary dividend income. Dividends paid on the Pengrowth Trust Units generally will not be eligible for the "dividends received deduction" generally available to U.S. corporate shareholders receiving dividends from U.S. corporations.

For tax years beginning before January 1, 2011, a dividend paid by Pengrowth generally will be taxed at the preferential tax rates applicable to long-term capital gains if (a) Pengrowth is a "qualified foreign corporation" (as defined below), (b) the U.S. Holder receiving such dividend is an individual, estate, or trust, and (c) certain holding period requirements are met. Pengrowth generally will be a "qualified foreign corporation" under Section 1(h)(11) of the Code (a "QFC") if (a) Pengrowth is eligible for the benefits of the Canada-U.S. Tax Convention, or (b) the Pengrowth Trust Units are readily tradable on an established securities market in the U.S. However, even if Pengrowth satisfies one or more of such requirements, Pengrowth will not be treated as a QFC if Pengrowth is a PFIC for the tax year during which Pengrowth pays a dividend or for the preceding tax year. (See more detailed discussion below under the heading "*Passive Foreign Investment Company Rules*").

If Pengrowth is not a PFIC, but a U.S. Holder otherwise fails to qualify for the preferential tax rate discussed in the preceding paragraph, a dividend paid by Pengrowth to a U.S. Holder generally will be taxed at ordinary income tax rates (and not at the preferential tax rates applicable to long-term capital gains). The dividend rules are complex, and each U.S. Holder should consult its own tax advisor regarding the dividend rules.

Disposition of Pengrowth Trust Units

A U.S. Holder will recognize gain or loss on the sale or other taxable disposition of Pengrowth Trust Units in an amount equal to the difference, if any, between (a) the amount of cash plus the fair market value of any property received and (b) such U.S. Holder's tax basis in the Pengrowth Trust Units sold or otherwise disposed of. Subject to the PFIC rules, any such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if the Pengrowth Trust Units are held for more than one year.

Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.

Passive Foreign Investment Company Rules

If the Corporation or Pengrowth is or becomes a "passive foreign investment company" under Section 1297 of the Code (a "**PFIC**") for any tax year in which a U.S. Holder held Monterey Common Shares or Pengrowth Trust Units, the preceding sections of this summary may not describe the U.S. federal income tax consequences to U.S. Holders of the Arrangement or the ownership and disposition of Pengrowth Trust Units received pursuant to the Arrangement.

A non-United States entity treated as a corporation for U.S. federal income tax purposes will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to the applicable "look through" rules, either (a) at least 75 percent of its gross income is "passive" income (the "income test") or (b) at least 50 percent of the quarterly average of the fair market value of its assets is attributable to assets that produce passive income or are held for the production of passive income (the "asset test"). In determining whether or not a corporation is classified as a PFIC, a non-U.S. corporation is required to take into account its pro rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest.

Special, and generally unfavorable, rules are applicable to U.S. Holders owning shares in a PFIC, including taxation at maximum ordinary income rates plus an interest charge on both gains on sale or other disposition and certain dividends, unless the U.S. Holder makes a timely and effective election to be taxed under an alternative regime. In addition, any dividends will not be qualified dividends, and will not be eligible for the reduced rate that may apply to certain dividends received by U.S. Holders that are not corporations.

The Corporation believes that it did not constitute a PFIC during its tax years ended December 31, 2006, 2007, 2008 and 2009, and based on its current business operations and financial expectations, that it should not become a PFIC during its current tax year. The Corporation has not made any determination regarding its PFIC status for earlier tax years.

Pengrowth has advised the Corporation that based on current business plans and financial projections, Pengrowth does not expect to be classified as a PFIC for its current tax year and for the foreseeable future.

However, the determination of whether or not the Corporation or Pengrowth is a PFIC for any tax year is made on an annual basis and is based on the types of income the Corporation or Pengrowth earns and the types and value of the Corporation's or Pengrowth's assets from time to time, all of which are subject to change. Additionally, the analysis depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. Furthermore, whether the Corporation or Pengrowth will be a PFIC for the current taxable year and each subsequent taxable year depends on its assets and income over the course of each such taxable year and, as a result, cannot be predicted with certainty as of the date of this Information Circular. Accordingly, there can be no assurance that the IRS will not challenge the determination made by the Corporation or Pengrowth concerning its PFIC status or that the Corporation or Pengrowth will not be a PFIC for any taxable year.

Additional Considerations

Foreign Tax Credit

A U.S. Holder that pays (whether directly or through withholding) Canadian income tax in connection with the Arrangement or in connection with the ownership or disposition of Pengrowth Trust Units may be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax paid. Generally, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder's income subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a tax year.

Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder's U.S. federal income tax liability that such U.S. Holder's "foreign source" taxable income bears to such U.S. Holder's worldwide taxable income. In applying this limitation, a U.S. Holder's

various items of income and deduction must be classified, under complex rules, as either "foreign source" or "U.S. source." Generally, dividends paid by a foreign corporation should be treated as foreign source for this purpose, and gains recognized on the sale of stock of a foreign corporation by a U.S. Holder should be treated as U.S. source for this purpose, except as otherwise provided in an applicable income tax treaty, and if an election is properly made under the Code. However, the amount of a distribution with respect to the Pengrowth Trust Units that is treated as a "dividend" may be lower for U.S. federal income tax purposes than it is for Canadian federal income tax purposes, resulting in a reduced foreign tax credit allowance to a U.S. Holder. In addition, this limitation is calculated separately with respect to specific categories of income. The foreign tax credit rules are complex, and each U.S. Holder should consult its own U.S. tax advisor regarding the foreign tax credit rules.

Receipt of Foreign Currency

The amount of any distribution or proceeds paid in Canadian dollars to a U.S. Holder in connection with the ownership of Pengrowth Trust Units, or on the sale, exchange or other taxable disposition of Pengrowth Trust Units, or any Canadian dollars received in connection with the Arrangement (including, but not limited to, U.S. Holders exercising Dissent Rights under the Arrangement), will be included in the gross income of a U.S. Holder as translated into U.S. dollars calculated by reference to the exchange rate prevailing on the date of actual or constructive receipt of the dividend, regardless of whether the Canadian dollars are converted into U.S. dollars at that time. If the Canadian dollars received are not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the Canadian dollars equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who receives payment in Canadian dollars and engages in a subsequent conversion or other disposition of the Canadian dollars may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes.

Each U.S. Holder should consult its own U.S. tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of Canadian dollars.

Recent Legislative Developments

Newly enacted legislation requires certain U.S. Holders who are individuals, estates or trusts to pay up to an additional 3.8% tax on, among other things, dividends and capital gains for taxable years beginning after December 31, 2012. In addition, for taxable years beginning after March 18, 2010, new legislation requires certain U.S. Holders who are individuals that hold certain foreign financial assets (which may include the Pengrowth Trust Units) to report information relating to such assets, subject to certain exceptions. U.S. Holders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of Pengrowth Trust Units.

Information Reporting; Backup Withholding Tax

Under U.S. federal income tax law and Treasury Regulations, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. For example, recently enacted legislation generally imposes new U.S. return disclosure obligations (and related penalties) on U.S. Holders that hold certain specified foreign financial assets in excess of \$50,000. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity. U. S. Holders may be subject to these reporting requirements unless their Monterey Common Shares (or, after the Arrangement, Pengrowth Trust Units) are held in an account at a domestic financial institution. Penalties for failure to file certain of these information returns are substantial. U.S. Holders should consult with their own tax advisors regarding the requirements of filing information returns.

Any payments of cash made to U.S. Holders participating in the Arrangement as well as payments relating to the exercise of Dissent Rights under the Arrangement, and payments of cash or other property made to U.S. Holders relating to dividends on, or proceeds arising from the sale or other taxable disposition of Pengrowth Trust Units generally will be subject to information reporting and backup withholding tax, at the rate of 28% (and increasing to 31% for payments made after December 31, 2010), if a U.S. Holder (a) fails to furnish such U.S. Holder's correct

U.S. taxpayer identification number (generally on Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax, or (d) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, certain exempt persons, such as corporations, generally are excluded from these information reporting and backup withholding rules. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner. Each U.S. Holder should consult its own tax advisor regarding the information reporting and backup withholding rules.

OTHER TAX CONSIDERATIONS

This Information Circular does not address any tax considerations of the Arrangement other than Canadian federal income tax considerations and United States federal income tax considerations to Monterey Securityholders. Monterey Securityholders who are resident in jurisdictions other than Canada and the United States should consult their tax advisors with respect to the relevant tax implications of the Arrangement, including any associated filing requirements, in such jurisdictions. All Monterey Securityholders should also consult their own tax advisors regarding relevant provincial, territorial or state tax considerations of the Arrangement.

RISK FACTORS

Ownership of Pengrowth Trust Units or Pengrowth Exchangeable Shares are subject to a certain risks. Monterey Securityholders should consider carefully the risk factors facing Pengrowth securityholders, which are incorporated by reference in Appendix H of this Information Circular. Monterey Securityholders should review and carefully consider all of the information disclosed in this Information Circular prior to voting their Monterey Securities at the Meeting. The following are risks related specifically to the Arrangement.

The Completion of the Arrangement is Subject to Certain Conditions

There can be no certainty that all conditions precedent to the Arrangement will be satisfied or waived, nor can there be any certainty of the timing of their satisfaction or waiver. Failure to complete the Arrangement could materially negatively impact the price of the Monterey Common Shares.

The completion of the Arrangement is subject to a number of conditions precedent, some of which are outside of the control of the Corporation and Pengrowth, including receipt of the Competition Act Approval, approval of the Monterey Securityholders, receipt of the Final Order and the approval of the TSX or NYSE. There can be no certainty, nor can the Corporation, nor Pengrowth provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. If the Arrangement is not completed, the Monterey Board believes that the market price of the Monterey Common Shares will be adversely affected.

Monterey expects to incur significant costs associated with the Arrangement

Pengrowth and Monterey estimate they could collectively incur direct transaction costs of approximately \$12 million in connection with the Arrangement. Actual direct transaction costs incurred in connection with the Arrangement may be higher. In addition, additional costs may be incurred to the extent that any Monterey Securityholders exercise their Dissent Rights and receive payout value of their Monterey Securities. Moreover, certain of Pengrowth's and Monterey's costs related to the Arrangement, including legal and accounting, must be paid even if the Arrangement is not completed.

If the Arrangement is not completed, Monterey's future business and operations could be harmed

If the Arrangement is not completed, Monterey may be subject to a number of additional material risks, including the following:

- Monterey may have lost other opportunities that would have otherwise been available had the Arrangement Agreement not been executed, including, without limitation, opportunities not pursued as a result of affirmative and negative covenants made by it in the Arrangement Agreement, such as covenants affecting the conduct of its business outside the ordinary course of business;
- Monterey may be unable to obtain additional sources of financing or conclude another sale, merger or amalgamation on as favourable terms, in a timely manner, or at all; and
- the obligations of Monterey to pay expense reimbursements pursuant to the terms of the Arrangement Agreement in certain circumstances.

Some of the conditions to the Arrangement may be waived by Monterey without resoliciting securityholder approval

Some of the conditions set forth in the Arrangement Agreement may be waived by Monterey, subject to the agreement of Pengrowth. If those conditions are waived, Monterey will evaluate whether an amendment to the Circular and a resolicitation of proxies is warranted. In the event the Monterey Board of Directors determines that resolicitation of proxies is not warranted, Monterey will have the discretion to complete the Arrangement without seeking further securityholder approval.

Risks Relating to the Corporation

If the Arrangement is not completed, the Corporation will continue to face the risks that it currently faces with respect to its affairs, business and operations and future prospects. Such risk factors are set forth and described in the Monterey AIF, which has been filed on SEDAR.

PROCEDURES FOR THE SURRENDER OF MONTEREY SECURITIES AND RECEIPT OF CONSIDERATION

Procedures for Monterey Securityholders

The details of the procedures for the deposit of physical certificates representing Monterey Securities and the delivery by the Depository of the consideration pursuant to the Arrangement are set out in the Letter of Transmittal accompanying this Information Circular. **Monterey Securityholders who have not received a Letter of Transmittal should contact Alliance Trust Company by mail at 450, 407 – 2nd Street S.W., Calgary, Alberta, T2P 2Y3 or fax at (403) 237-6181.**

In order for Monterey Shareholder's elections for Pengrowth Trust Units or Pengrowth Exchangeable Shares to be effective, the Letter of Transmittal together with certificates representing Monterey Common Shares must be validly completed, duly executed and returned to Alliance Trust Company, by 5:00 p.m. (Calgary time) on September 13, 2010, or if the Meeting is adjourned or postponed, by 5:00 p.m. (Calgary time) on the second Business Day immediately prior to the date of such adjourned or postponed Meeting.

Only Registered Monterey Securityholders are required to submit a Letter of Transmittal. **If you are a Beneficial Monterey Shareholder holding your Monterey Common Shares through a nominee such as a broker or dealer, you should carefully follow any instructions provided to you by such nominee.**

Monterey Shareholders

After the Effective Date, certificates formerly representing Monterey Common Shares (other than Monterey Common Shares held by Dissenting Monterey Shareholders) will represent only the right to receive certificates representing Pengrowth Trust Units or Pengrowth Exchangeable Shares for which those Monterey Common Shares were exchanged in connection with the Arrangement. In the case of Dissenting Monterey Shareholders, certificates formerly representing Monterey Common Shares will represent only the right to receive the fair value of such Monterey Common Shares. Dissenting Monterey Shareholders who are ultimately entitled to be paid the fair value

of their Monterey Common Shares will be deemed to have transferred those shares to AcquisitionCo on the Effective Date. Dissenting Monterey Shareholders who are ultimately not entitled to be paid the fair value of their Monterey Common Shares will be treated as if they had participated in the Arrangement on the same basis as non-dissenting Monterey Shareholders.

Each registered Monterey Shareholder (other than a Dissenting Monterey Shareholder) will be entitled to receive certificates representing the Pengrowth Trust Units or Pengrowth Exchangeable Shares that such Monterey Shareholder is entitled to receive pursuant to the Arrangement, upon delivering the certificate or certificates representing such holder's Monterey Common Shares in accordance with the instructions contained in the Letter of Transmittal. Such certificates must be accompanied by a Letter of Transmittal, duly completed, and such other documents as the Depositary may reasonably require. The Depositary will register or arrange for the registration of the Pengrowth Trust Units or Pengrowth Exchangeable Shares as may be requested in the Letter of Transmittal, and will deliver the certificates representing those Pengrowth Trust Units or Pengrowth Exchangeable Shares by first class mail, postage prepaid or, in the case of postal disruption, by such other means as the Depositary deems prudent, to holders of those shares, at such address as the holder may direct in the Letter of Transmittal, as soon as practicable after completion of the Arrangement and receipt by the Depositary of the applicable Letter of Transmittal and all related materials. Alternatively, a Monterey Shareholder may instruct the Depositary to hold his/hers/its certificate for Pengrowth Trust Units or Pengrowth Exchangeable Shares for pickup at the office of the Depositary in Calgary, Alberta.

If a Registered Monterey Shareholder deposits more than one certificate representing Monterey Common Shares, the number of Pengrowth Trust Units or Pengrowth Exchangeable Shares issuable to such Monterey Shareholder will be computed on the basis of the aggregate number of Monterey Common Shares held, or issuable, pursuant to the Plan of Arrangement, to the Monterey Shareholder.

Monterey Shareholders are cautioned that the use of the mail to transmit share certificates and related material is at each Monterey Shareholder's risk.

Any certificate formerly representing Monterey Common Shares that is not deposited with all other required documents on or before the fourth anniversary of the Effective Date will cease to represent a right or claim of any kind or nature and the right of the holder of such Monterey Common Shares to receive certificates representing Pengrowth Trust Units and/or Pengrowth Exchangeable Shares will be deemed to be surrendered to Pengrowth, together with all dividends, distributions or cash payments thereon held for such holder.

Subject to any extinguishment of rights as noted above, all dividends paid or distributions made in respect of Pengrowth Trust Units allocated and issued pursuant to the Arrangement for which certificates have not been issued in accordance with the Plan of Arrangement shall be paid or delivered to the Depositary, to be held in trust for the registered holder of such Pengrowth Trust Units, for delivery to such holder (net of all withholding and other taxes), upon surrender of the certificate or certificates for the applicable Monterey Common Shares.

Monterey Optionholders

Each Monterey Optionholder (other than a Dissenting Monterey Optionholder or holders of CCPC Option Shares) will be entitled to receive, at their election, certificates representing Pengrowth Trust Units and/or Pengrowth Exchangeable Shares which such Monterey Optionholder is entitled to receive pursuant to the Arrangement. The Depositary will register the Pengrowth Trust Units and/or Pengrowth Exchangeable Shares in the name of the applicable Monterey Optionholder, and will deliver the certificates for Pengrowth Trust Units and/or Pengrowth Exchangeable Shares by first class mail, postage prepaid or, in the case of postal disruption, by such other means as the Depositary deems prudent, to the applicable Monterey Optionholder at his/her address as it appears on the register of Monterey Options, as soon as practicable following completion of the Arrangement. Alternatively, a Monterey Optionholder may instruct the Depositary to hold certificates representing the Pengrowth Trust Units and/or Pengrowth Exchangeable Shares for pickup at the office of the Depositary in Calgary, Alberta. Holders of CCPC Option Shares will receive Trust Unit Consideration and will not have the option to elect to receive the Exchangeable Share Consideration.

Subject to any extinguishment of rights as noted above, all dividends paid or distributions made in respect of Pengrowth Trust Units issued to a former holder of Monterey Options in connection with the Arrangement for which share certificates have not been delivered in accordance with the Plan of Arrangement shall be paid or delivered to the Depository, to be held in trust for the holder of such Pengrowth Trust Units, for delivery to such holder (net of all withholding and other taxes), upon surrender of the certificate or certificates for the applicable Monterey Common Shares. In the event the Depository still holds any such funds in trust as of the date that is the fourth anniversary of the Effective Date, all such funds will be returned to Pengrowth Corporation.

LEGAL MATTERS

Certain legal matters in connection with the Arrangement will be passed upon for the Corporation by Burnet, Duckworth & Palmer LLP insofar as Canadian legal matters are concerned and Dorsey & Whitney LLP insofar as U.S. legal matters are concerned.

Certain legal matters in connection with the Arrangement will be passed upon for Pengrowth and Pengrowth Corporation by Bennett Jones LLP insofar as Canadian legal matters are concerned and Paul Weiss Rifkind Wharton and Garrison LLP insofar as U.S. legal matters are concerned.

RIGHTS OF DISSENT

The following description of the rights of Dissenting Monterey Securityholders is not a comprehensive statement of the procedures to be followed by a Dissenting Monterey Securityholder who seeks payment of the fair value of such holder's Monterey Securities and is qualified in its entirety by the reference to the full text of the Interim Order, which is attached to this Information Circular as Appendix B, and the text of Section 191 of the ABCA, which is attached to this Information Circular as Appendix E. Pursuant to the Interim Order, Dissenting Monterey Securityholders are given rights analogous to rights of dissenting shareholders under the ABCA. A Dissenting Monterey Securityholder who intends to exercise the right to dissent should carefully consider and comply with the provisions of Section 191 of the ABCA, as modified by the Interim Order. Failure to comply with the provisions of that section, as modified by the Interim Order, and to adhere to the procedures established therein may result in the loss of all rights thereunder.

The Court hearing the application for the Final Order has the discretion to alter the rights of dissent described herein based on the evidence presented at such hearing.

Under the Interim Order, a registered Monterey Securityholder is entitled, in addition to any other rights the holder may have, to dissent and to be paid by the Corporation the fair value of the Monterey Securities held by the holder in respect of which the holder dissents, determined as of the close of business on the last Business Day before the day on which the resolution from which such holder dissents was adopted. Only Registered Monterey Securityholders may dissent. Persons who are beneficial owners of Monterey Securities registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that they may only do so through the registered owner of such Monterey Securities. Accordingly, a beneficial owner of Monterey Securities desiring to exercise Dissent Rights must make arrangements for the Monterey Securities beneficially owned by that Securityholder to be registered in the name of the Securityholder prior to the time the written objection to the Arrangement Resolution is required to be received by the Corporation or, alternatively, make arrangements for the registered holder of such Monterey Securities to dissent on behalf of the Securityholder.

A Dissenting Monterey Securityholder must send to Monterey a written objection to the Arrangement Resolution, which written objection must be received by Monterey, c/o Burnet, Duckworth & Palmer LLP, Suite 1400, 350 – 7th Avenue S.W., Calgary, Alberta, T2P 3N9 Attention: Michael Donaldson, by 4:00 p.m. (Calgary time) on September 13, 2010 (or the Business Day that is two Business Days prior to the date of the Meeting if it is not held on September 15, 2010). No Securityholder who has voted in favour of the Arrangement Resolution shall be entitled to dissent with respect to the Arrangement. A registered holder of Monterey Securities may not exercise the right to dissent in respect of only a portion of such holder's Monterey Securities, but may dissent only with respect to all of the Monterey Securities held by the holder.

An application may be made to the Court by the Corporation or by a Dissenting Monterey Securityholder to fix the fair value of the Dissenting Monterey Securityholder's Monterey Securities. If such an application to the Court is made by either the Corporation or a Dissenting Monterey Securityholder, the Corporation must, unless the Court otherwise orders, send to each Dissenting Monterey Securityholder a written offer to pay such person an amount considered by the Monterey Board of Directors to be the fair value of the Monterey Securities held by such Dissenting Monterey Securityholders. The offer, unless the Court otherwise orders, will be sent to each Dissenting Monterey Securityholder at least 10 days before the date on which the application is returnable, if the Corporation is the applicant, or within 10 days after the Corporation is served with notice of the application, if a Dissenting Monterey Securityholder is the applicant. The offer will be made on the same terms to each Dissenting Monterey Securityholder and will be accompanied by a statement showing how the fair value was determined.

A Dissenting Monterey Securityholder may make an agreement with the Corporation for the purchase of his Monterey Securities in the amount of the Corporation's offer (or otherwise) at any time before the Court pronounces an order fixing the fair value of the Monterey Securities.

A Dissenting Monterey Securityholder is not required to give security for costs in respect of an application and, except in special circumstances, will not be required to pay the costs of the application and appraisal. On the application, the Court will make an order fixing the fair value of the Monterey Securities of all Dissenting Monterey Securityholders who are parties to the application, giving judgment in that amount against the Corporation and in favour of each of those Dissenting Monterey Securityholders, and fixing the time within which the Corporation must pay that amount payable to the Dissenting Monterey Securityholders. The Court may in its discretion allow a reasonable rate of interest on the amount payable to each Dissenting Monterey Securityholder calculated from the date on which the Dissenting Monterey Securityholder ceases to have any rights as a Securityholder until the date of payment.

On the Arrangement becoming effective, or upon the making of an agreement between the Corporation and the Dissenting Monterey Securityholder as to the payment to be made by the Corporation to the Dissenting Monterey Securityholder, or the pronouncement of a Court order, whichever first occurs, the Dissenting Monterey Securityholder will cease to have any rights as a Securityholder other than the right to be paid the fair value of such Securityholder's Monterey Securities in the amount agreed to between the Corporation and the Securityholder or in the amount of the judgment, as the case may be. Until one of these events occurs, the Securityholder may withdraw his dissent, or if the Arrangement has not yet become effective the Corporation may rescind the Arrangement Resolution, and in either event the dissent and appraisal proceedings in respect of that Securityholder will be discontinued.

The Corporation shall not make a payment to a Dissenting Monterey Securityholder under Section 191 if there are reasonable grounds for believing that the Corporation is or would after the payment be unable to pay its liabilities as they become due, or that the realizable value of the assets of the Corporation would thereby be less than the aggregate of its liabilities. In such event, the Corporation shall notify each Dissenting Monterey Securityholder that it is lawfully unable to pay Dissenting Monterey Securityholders for their Monterey Securities in which case the Dissenting Monterey Securityholder may, by written notice to the Corporation within 30 days after receipt of such notice, withdraw his written objection, in which case such Securityholder shall, in accordance with the Interim Order, be deemed to have participated in the Arrangement as a Securityholder. If the Dissenting Monterey Securityholder does not withdraw his written objection he retains his status as a claimant against the Corporation to be paid as soon as the Corporation is lawfully entitled to do so or, in a liquidation, to be ranked subordinate to creditors but prior to its Monterey Securityholders.

All Monterey Securities held by Monterey Securityholders who exercise their Dissent Rights will, if the Holders are ultimately entitled to be paid the fair value thereof, be deemed to be transferred to the Corporation in exchange for such fair value as of the Effective Date. If such Monterey Securityholders ultimately are not entitled to be paid the fair value for the Monterey Securities, such Monterey Securities will be deemed to have been exchanged for cash and such Monterey Securityholders will be paid cash on the same basis as all other Monterey Securityholders who have received cash pursuant to the Arrangement.

The above summary does not purport to provide a comprehensive statement of the procedures to be followed by a Dissenting Monterey Securityholder who seeks payment of the fair value of their Monterey Securities. Section 191

of the ABCA requires adherence to the procedures established therein and failure to do so may result in the loss of all rights thereunder. Accordingly, each Dissenting Monterey Securityholder who is considering the right to dissent and appraisal should carefully consider and comply with the provisions of that section, the full text of which is set out in Appendix E to this Information Circular, as modified by the Interim Order, and consult their own legal advisor.

The Arrangement Agreement provides that, unless otherwise waived, it is a condition to the obligation of the Corporation and Pengrowth to complete the Arrangement, that there shall not, as of the Effective Date, be Holders of Monterey Securities that hold in excess of 5% of all Monterey Securities that have validly exercised their Dissent Rights.

INFORMATION CONCERNING MONTEREY

See Appendix G – *Information Concerning Monterey*.

INFORMATION CONCERNING PENGROWTH AND PENGROWTH CORPORATION

See Appendix H – *Information Concerning Pengrowth and Pengrowth Corporation*.

GENERAL PROXY MATTERS

Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation of proxies by the management of Monterey to be used at the Meeting. Solicitations of proxies will be primarily by mail, but may also be by newspaper publication, in person or by telephone, fax or oral communication by directors, officers, employees or agents of Monterey who will be specifically remunerated therefor. All costs of the solicitation will be borne by the Corporation.

Monterey has not made a decision to engage proxy solicitation agents to encourage the return of completed proxies by Monterey Securityholders and to solicit proxies in favour of the matters to be considered at the Meeting. Monterey may however do so, and if it does, the costs in respect of such services would be paid by the Corporation.

Appointment and Revocation of Proxies

Accompanying this Information Circular is a form of proxy, in the case of registered holders of Monterey Common Shares, a form of proxy printed on white paper and in the case of registered holders of Monterey Options, a form of proxy printed on yellow paper.

Holders of Monterey Common Shares are entitled to consider and vote upon the Arrangement Resolution. Holders of Monterey Options are also entitled to consider and vote upon the Arrangement Resolution.

The Persons named in the enclosed form of proxy are directors or officers of Monterey. A Monterey Securityholder desiring to appoint a Person (who need not be a Monterey Securityholder) to represent such Monterey Securityholder at a Meeting other than the Persons designated in the accompanying form of proxy may do so either by inserting such Person's name in the blank space provided in the appropriate form of proxy or by completing another form of proxy and, in either case, sending or delivering the completed proxy to the offices of Alliance Trust Company 450, 407 - 2nd Street S.W., Calgary Alberta T2P 2Y3. A form of proxy must be received by Alliance Trust Company at least 48 hours (excluding Saturdays, Sundays and holidays) prior to the time set for the Meeting or any adjournment thereof. Failure to so deposit a form of proxy shall result in its invalidation.

A Monterey Securityholder who has given a form of proxy may revoke it as to any matter on which a vote has not already been cast pursuant to its authority by depositing an instrument in writing executed by such Monterey Securityholder or by such Monterey Securityholder's attorney duly authorized in writing and deposited at

- (a) the above mentioned office of Alliance Trust Company; or
- (b) the registered office of Monterey, located at 1400, 350 – 7th Avenue S.W., Calgary, Alberta T2P 3N9,

at any time up to and including the last Business Day preceding the day of the meeting at which the proxy is to be used, or an adjournment of such meeting, or with the chairman of such meeting on the day of such meeting or any adjournment thereof.

The Monterey Board has fixed the Record Date for the Meeting as at the close of business on August 9, 2010. Monterey Shareholders of record as at the Record Date are entitled to receive notice of, to attend and to vote at the Meeting on the resolutions applicable to them, except to the extent a Monterey Shareholder transfers any Monterey Common Shares after the Record Date and the transferee of those Monterey Common Shares establishes ownership of the Monterey Common Shares and demands, not later than 10 days before the Meeting, that the transferee's name be included in the list of Monterey Shareholders entitled to vote, in which case such transferee shall be entitled to vote such Monterey Common Shares at the Meeting.

Beneficial Holders of Monterey Securities

The information set forth in this section is of significant importance to many Monterey Securityholders, as a substantial number of Monterey Securityholders do not hold Monterey Securities in their own name. Monterey Securityholders who do not hold their Monterey Securities in their own name (referred to in this section as "**Beneficial Holders**") should note that only proxies deposited by Monterey Securityholders whose names appear on the records of Monterey as registered holders of Monterey Securities, can be recognized and acted upon at the Meeting. If Monterey Securities are listed in an account statement provided to a Monterey Securityholder by a broker, then, in almost all cases, those Monterey Securities will not be registered in the Monterey Securityholder's name on the records of Monterey. Such Monterey Securities will more likely be registered in the name of the broker or an agent of the broker. In Canada, the vast majority of such Monterey Securities are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as a nominee for many Canadian brokerage firms). Monterey Securities held by brokers or their nominees can only be voted (for or against resolutions) upon instructions of the Beneficial Holder. Without specific instructions, brokers/nominees are prohibited from voting securities for their clients. Monterey does not know for whose benefit the securities registered in the names of CDS & Co. are held. Therefore, Beneficial Holders cannot be recognized at the Meeting for purposes of voting their securities in person or by way of proxy.

Applicable regulatory policies require intermediaries/brokers to seek voting instructions from Beneficial Holders in advance of the Meeting. Every intermediary/broker has its own mailing procedures and provides its own return instructions that should be carefully followed by Beneficial Holders in order to ensure that their Monterey Securities are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Holder by its broker is identical to that provided to registered Monterey Securityholders. However, its purpose is limited to instructing the registered Monterey Securityholder on how to vote on behalf of the Beneficial Holder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically mails a scannable voting instruction form in lieu of the form of proxy. Beneficial Holders are asked to complete and return the voting instruction form to Broadridge by mail or facsimile or to follow specified telephone or internet voting procedures. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. If a Beneficial Holder receives a voting instruction form from Broadridge it cannot be used as a proxy to vote shares directly at the Meeting as the voting instruction forms must be returned to Broadridge or the telephone or internet procedures completed well in advance of the Meeting in order to have the shares voted.

If you are a Beneficial Holder of Monterey Securities and wish to vote in person at the Meeting, please contact your broker or agent well in advance of the Meeting to determine how you can do so.

Signature of Proxy

The form of proxy must be executed by the Monterey Securityholder or his attorney authorized in writing, or if the Monterey Securityholder is a corporation, the form of proxy should be signed in its corporate name under its corporate seal by an authorized officer whose title should be indicated. A proxy signed by a person acting as attorney or in some other representative capacity should reflect such person's capacity following his signature and should be accompanied by the appropriate instrument evidencing qualification and authority to act (unless such instrument has been previously filed with the Corporation).

Voting of Proxies

The persons named in the accompanying forms of proxy will vote the Monterey Securities in respect of which they are appointed in accordance with the direction of the Monterey Securityholder appointing them. **In the absence of such direction, such Monterey Securities will be voted FOR the approval of the Arrangement Resolution.**

Exercise of Discretion of Proxy

The enclosed forms of proxy confer discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the accompanying Notice of Meeting and this Information Circular and with respect to other matters that may properly come before the Meeting. At the date of this Information Circular, management of Monterey knows of no amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting.

Voting Securities and Principal Holders Thereof

As at August 11, 2010 there were 45,966,167 Monterey Common Shares issued and outstanding and 3,788,166 Monterey Options entitling the holders thereof to acquire an aggregate 3,788,166 Monterey Common Shares were outstanding.

To the knowledge of the directors and officers of Monterey, as at the date hereof, except as set out below, no person or company beneficially owned, directly or indirectly, or exercised control or direction, over more than 10% of the Monterey Common Shares.

<u>Name of Holder</u>	<u>Number of Common Shares</u>	<u>Percentage of Class</u>
Pengrowth Corporation	8,990,642	19.6%

Procedure and Votes Required

The Interim Order provides that Monterey Securityholders at the close of business on the Record Date will be entitled to receive notice of, to attend the Meeting and to vote on the Arrangement Resolution. In addition, the Interim Order provides that each Monterey Common Share issued by the Corporation after the Record Date and prior to the date of the Meeting will be entitled to receive notice of and to vote at the Meeting. Each such Monterey Shareholder will be entitled to vote in accordance with the provisions set out below, provided that, a Monterey Optionholder on the Record Date who exercises such Monterey Options after the Record Date and prior to the Meeting will not be entitled to vote such Monterey Options at the Meeting.

The Interim Order provides:

- (a) for the calling and the holding of the Meeting, including the Record Date for determining the Persons to whom notice of the Meeting is to be provided and for determining the Persons entitled to vote at the Meeting;

- (b) that all Monterey Securityholders as at the Record Date established for the Meeting shall be entitled to vote on the Arrangement Resolution, with Monterey Securityholders being entitled to one vote for each Monterey Security held by them;
- (c) that the requisite level of approval for the Arrangement Resolution shall be: (1) at least two-thirds of the votes cast on the Arrangement Resolution by those Monterey Securityholders, voting together as a single class, present in person or represented by proxy and entitled to vote at the Meeting; (2) a majority of the votes cast by the Monterey Shareholders and Monterey Optionholders present in person or by proxy, after excluding the votes by those persons whose votes must be excluded pursuant to MI 61-101; and (3) any requisite approval that may be required by the TSX;
- (d) that, in all other respects, the terms, restrictions and conditions of the constating documents of Monterey, including quorum requirements and all other matters, shall apply in respect of the Meeting;
- (e) for the grant of the Dissent Rights;
- (f) for the notice requirements with respect to the presentation of the application to the Court for the Final Order; and
- (g) that the Meeting may be adjourned or postponed from time to time by Monterey with the consent of Pengrowth Corporation without the need for additional approval of the Court.
- (h) Pursuant to Section 4.2 of MI 61-101, the following table provides the votes attached to the Monterey Securities that, to the knowledge of Monterey after reasonable inquiry, will be excluded in determining whether minority approval for the Arrangement is obtained, and includes the identity of the relevant Monterey Securityholder and the number of Monterey Securities held:

Monterey Securityholder	# of Monterey Common Shares	# of Monterey Options	# of Votes Attaching to Monterey Securities	% of Outstanding Monterey Securities
Pengrowth Corporation	8,990,642	-	8,990,642	18.1
Christopher G. Webster	82,000	-	82,000	0.1
A. Terence Poole	5,600	-	5,600	0.0
Patrick Manuel	878,883	485,000	1,363,883	2.7
Amar Pandila	747,625	350,000	1,097,625	2.2
Bill Meeuwissen	336,000	310,000	646,000	1.3
TOTAL	11,040,750	1,145,000	12,185,750	24.4

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of Monterey, there are no legal proceedings material to Monterey to which Monterey is or was a party to or of which any of its properties is or was the subject of, during the financial year ended December 31, 2009 nor are there any such proceedings known to Monterey to be contemplated.

During the year ended December 31, 2009, there were no (i) penalties or sanctions imposed against Monterey by a court relating to securities legislation or by a securities regulatory authority; (ii) penalties or sanctions imposed by a court or regulatory body against Monterey that would likely be considered important to a reasonable investor in

making an investment decision, or (iii) settlement agreements Monterey entered into before a court relating to securities legislation or with a securities regulatory authority.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed under "*The Arrangement – Interests of Directors and Officers in the Arrangement*", no informed person of the Corporation, or any associate or affiliate of any informed person, has had any material interest, direct or indirect, in any transaction, or proposed transaction, which has materially affected or would materially affect the Corporation or any of its subsidiaries since the commencement of the most recently completed financial year of the Corporation.

CONSENTS**Consent of Burnet, Duckworth & Palmer LLP**

To the Board of Directors of Monterey Exploration Ltd.

We have read the information circular and proxy statement (the "**Information Circular**") of Monterey Exploration Ltd. (the "**Corporation**") dated August 11, 2010 relating to the special meeting of securityholders of the Corporation to approve an arrangement under the *Business Corporations Act* (Alberta) involving the Corporation, Pengrowth Energy Trust, Pengrowth Corporation, 1551985 Alberta Ltd. and the securityholders of the Corporation. We consent to the inclusion in the Information Circular of our opinion contained under "*Certain Canadian Federal Income Tax Considerations*" and references to our firm name and our opinion therein.

(signed) "*Burnet, Duckworth & Palmer LLP*"

Calgary, Canada
August 11, 2010

Consent of Wellington West Capital Markets Inc.

To the Special Committee of the Board of Directors of Monterey Exploration Ltd.

We have read the information circular and proxy statement (the "**Information Circular**") of Monterey Exploration Ltd. (the "**Corporation**") dated August 11, 2010 relating to the special meeting of securityholders of the Corporation to approve an arrangement under the *Business Corporations Act* (Alberta) involving the Corporation, Pengrowth Energy Trust, Pengrowth Corporation, 1551985 Alberta Ltd. and the securityholders of the Corporation. We consent to the filing of our formal valuation with the securities regulatory authority and the inclusion in the Information Circular of our valuation of the common shares of the Corporation dated August 11, 2010 and references to our firm name and our valuation in the Information Circular.

(signed) "*Wellington West Capital Markets Inc.*"

Calgary, Canada
August 11, 2010

Consent of Cormark Securities Inc.

To the Board of Directors of Monterey Exploration Ltd.

We have read the information circular and proxy statement (the "**Information Circular**") of Monterey Exploration Ltd. (the "**Corporation**") dated August 11, 2010 relating to the special meeting of securityholders of the Corporation to approve an arrangement under the *Business Corporations Act* (Alberta) involving the Corporation, Pengrowth Energy Trust, Pengrowth Corporation, 1551985 Alberta Ltd. and the securityholders of the Corporation. We consent to the inclusion in the Information Circular of our fairness opinion dated August 10, 2010 and references to our firm name and our fairness opinion in the Information Circular.

(signed) "*Cormark Securities Inc.*"

Calgary, Canada
August 11, 2010

Consent of GLJ Petroleum Consultants Ltd.

To the Board of Directors of Monterey Exploration Ltd.

We have read the information circular and proxy statement (the "**Information Circular**") of Monterey Exploration Ltd. (the "**Corporation**") dated August 11, 2010 relating to the special meeting of securityholders of the Corporation to approve an arrangement under the *Business Corporations Act* (Alberta) involving the Corporation, Pengrowth Energy Trust ("**Pengrowth**"), Pengrowth Corporation, 1551985 Alberta Ltd. and the securityholders of the Corporation.

We consent to the incorporation by reference in the Information Circular of our report evaluating the crude oil, natural gas and natural gas liquids reserves of the Corporation having a preparation date of January 19, 2010 and an effective date of December 31, 2009.

(signed) "*GLJ Petroleum Consultants Ltd.*"

Calgary, Canada
August 11, 2010

Consent of GLJ Petroleum Consultants Ltd.

To the Board of Directors of Pengrowth Corporation as administrator of Pengrowth Energy Trust

We have read the information circular and proxy statement (the "**Information Circular**") of Monterey Exploration Ltd. (the "**Corporation**") dated August 11, 2010 relating to the special meeting of securityholders of the Corporation to approve an arrangement under the *Business Corporations Act* (Alberta) involving the Corporation, Pengrowth Energy Trust ("**Pengrowth**"), Pengrowth Corporation, 1551985 Alberta Ltd. and the securityholders of the Corporation.

We consent to the incorporation by reference in the Information Circular of our report evaluating the crude oil, natural gas and natural gas liquids reserves of Pengrowth having a preparation date of February 5, 2010 and an effective date of December 31, 2009.

(signed) "*GLJ Petroleum Consultants Ltd.*"

Calgary, Canada
August 11, 2010

Consent of KPMG LLP

To the Board of Directors of Monterey Exploration Ltd.

We have read the information circular and proxy statement (the "**Information Circular**") of Monterey Exploration Ltd. (the "**Corporation**") dated August 11, 2010 relating to the special meeting of securityholders of the Corporation to approve an arrangement under the *Business Corporations Act* (Alberta) involving the Corporation, Pengrowth Energy Trust, Pengrowth Corporation, 1551985 Alberta Ltd. and the securityholders of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned Information Circular of our report to the shareholders of Monterey Exploration Ltd. on the balance sheets of Monterey Exploration Ltd. as at December 31, 2009 and 2008 and the statements of earnings (loss) and retained earnings (deficit) and cash flows for the years then ended. Our report is dated March 18, 2010.

(signed) "*KPMG LLP*"

Calgary, Canada
August 11, 2010

Consent of KPMG LLP

To the Board of Directors of Pengrowth Corporation as administrator of Pengrowth Energy Trust

We have read the information circular and proxy statement (the "**Information Circular**") of Monterey Exploration Ltd. (the "**Corporation**") dated August 11, 2010 relating to the special meeting of securityholders of the Corporation to approve an arrangement under the *Business Corporations Act* (Alberta) involving the Corporation, Pengrowth Energy Trust ("**Pengrowth**"), Pengrowth Corporation, 1551985 Alberta Ltd. and the securityholders of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned Information Circular of our report to the unitholders of Pengrowth on the balance sheets of Pengrowth as at December 31, 2009 and 2008 and the statements of income and deficit and cash flows for the years then ended. Our report is dated March 8, 2010.

(signed) "*KPMG LLP*"

Calgary, Canada
August 11, 2010

APPENDIX A

ARRANGEMENT RESOLUTION

"BE IT RESOLVED THAT:

1. the arrangement under Section 193 of the *Business Corporations Act* (Alberta) (the "**Arrangement**") substantially as set forth in the plan of arrangement (the "**Plan of Arrangement**") attached as Exhibit "B" to the Arrangement Agreement (as defined herein), a copy of which is attached as Appendix C to the Information Circular of Monterey Exploration Ltd. (the "**Corporation**") dated August 11, 2010 (the "**Information Circular**") accompanying the notice of meeting is hereby authorized, approved, ratified and confirmed;
2. the arrangement agreement among the Corporation, Pengrowth Energy Trust and Pengrowth Corporation dated July 11, 2010 (the "**Arrangement Agreement**"), a copy of which is attached as Appendix C to the Information Circular accompanying the notice of meeting, with such amendments or variations thereto made in accordance with the terms of the Arrangement Agreement as may be approved by the persons referred to in paragraph 4 hereof, such approval to be evidenced conclusively by their execution and delivery of any such amendments or variations, is hereby authorized, approved, ratified and confirmed;
3. notwithstanding that this resolution has been duly passed and/or has received the approval of the Court of Queen's Bench of Alberta, the board of directors of the Corporation may, without further notice to or approval of the securityholders of the Corporation, subject to the terms of the Arrangement Agreement and the Arrangement, (i) amend or terminate the Arrangement Agreement or the Plan of Arrangement or (ii) revoke this resolution at any time prior to the filing of articles of arrangement giving effect to the Arrangement;
4. any director or officer of the Corporation is hereby authorized, for and on behalf of the Corporation, to execute and deliver articles of arrangement and to execute, with or without the corporate seal, and, if, appropriate, deliver all other documents and instruments and to do all other things as in the opinion of such director or officer may be necessary or desirable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument, and the taking of any such action; and
5. all actions heretofore taken by or on behalf of the Corporation in connection with any matter referred to in any of the foregoing resolutions which were in furtherance of the Arrangement are hereby approved, ratified and confirmed in all respects."

APPENDIX B
INTERIM ORDER

IN THE COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL DISTRICT OF CALGARY

IN THE MATTER OF SECTION 193 OF THE *BUSINESS CORPORATIONS ACT*, R.S.A. 2000, c. B-9, as amended

AND IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING MONTEREY EXPLORATION LTD., PENGROWTH ENERGY TRUST, PENGROWTH CORPORATION, 1551985 ALBERTA LTD. AND THE SECURITYHOLDERS OF MONTEREY EXPLORATION LTD.

BEFORE THE HONOURABLE) AT THE COURT HOUSE, AT CALGARY,
CHIEF JUSTICE N.C. WITTMANN) ALBERTA, ON THURSDAY THE 12TH DAY
IN CHAMBERS) OF AUGUST, 2010.

INTERIM ORDER

UPON the Petition of Monterey Exploration Ltd. ("**Monterey**");

AND UPON reading the Petition and the Affidavit of John Mah, Vice President and Chief Financial Officer of Monterey, sworn August 10, 2010 and the documents referred to therein (the "**Affidavit**");

AND UPON hearing counsel for Monterey and counsel for Pengrowth Energy Trust ("**Pengrowth**"), Pengrowth Corporation ("**Pengrowth Corporation**") and 1551985 Alberta Ltd. ("**AcquisitionCo**");

AND UPON noting that the Executive Director of the Alberta Securities Commission (the "**Executive Director**") has been served with notice of this application as required by subsection 193(8) of the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended (the "**ABCA**") and that the Executive Director neither consents to nor opposes this Application;

FOR THE PURPOSES OF THIS ORDER:

- (a) the capitalized terms not defined in this Order shall have the meanings attributed to them in the Information Circular and Proxy Statement of Monterey (the "**Information Circular**"), a draft copy of which is attached as Exhibit A to the Affidavit; and
- (b) all references to "Arrangement" used herein mean the plan of arrangement as described in the Affidavit and in the form attached as Exhibit A to the Arrangement Agreement, which is attached as Appendix C to the Information Circular.

IT IS HEREBY ORDERED THAT:**General**

1. The proposed course of action is an "Arrangement" within the definition of the *ABCA* and the Petitioner may proceed with the Arrangement, as described in the Affidavit.
2. Monterey shall seek approval of the Arrangement by the holders of common shares ("**Monterey Common Shares**") of Monterey (the "**Monterey Shareholders**") and the holders of options ("**Monterey Options**") to purchase Monterey Common Shares (the "**Monterey Optionholders**") in the matter set forth below.

Meeting

3. Monterey shall call and conduct a meeting (the "**Meeting**") of Monterey Shareholders and Monterey Optionholders (collectively, the "**Monterey Securityholders**") on or about September 15, 2010. At the Meeting, Monterey Securityholders will consider and vote as a single class upon the Arrangement Resolution and such other business as may properly be brought before the Meeting or any adjournment thereof, all as more particularly described in the Information Circular.
4. A quorum at the Meeting shall be persons present not being less than two in number entitled to vote thereat and holding or representing by proxy not less than five percent (5%) of the Monterey Securities entitled to vote at the Meeting. If within thirty minutes

from the time appointed for the Meeting a quorum is not present, the Meeting shall be adjourned to the same day in the next week if a business day, and, if not a business day, to the next business day following one week after the day appointed for the Meeting, at the same time and place or as may otherwise be determined by the Chairman of the Meeting. No notice of the adjourned Meeting shall be required and if at such adjourned Meeting a quorum is not present, the Monterey Securityholders present in person or by proxy, if at least two, shall be a quorum for all purposes.

5. The record date (the "**Record Date**") for determination of Monterey Securityholders entitled to receive notice of and to vote at the Meeting will be the close of business on August 9, 2010. Only Monterey Securityholders whose names have been entered in the applicable register of Monterey Securityholders as at the Record Date will be entitled to receive notice of and to vote at the Meeting, provided that, to the extent a Monterey Shareholder transfers the ownership of any Monterey Shares after the Record Date and the transferee of those Monterey Common Shares, having produced properly endorsed certificates evidencing such Monterey Common Shares or having otherwise established that he or she owns such Monterey Common Shares, demands, not later than the commencement of the Meeting, to be included in the list of Monterey Securityholders entitled to vote at the Meeting, such transferee will be entitled to vote those Monterey Common Shares at the Meeting.

Conduct of Meeting

6. At the Meeting, Monterey Securityholders shall vote together as a single class in respect of the Arrangement Resolution, each Monterey Securityholder being entitled to one vote for each: (i) Monterey Common Share held by such Monterey Securityholder; and (ii) Monterey Option held by such Monterey Securityholder.
7. The Chairman of the Meeting shall be the Chairman of the Board of Monterey or, failing him, any other officer or director of Monterey, or failing them, any person to be chosen at the Meeting.
8. The number of votes required to pass the Arrangement Resolution shall be: (i) not less than two-thirds of the votes cast by the Monterey Securityholders, either in person or by

proxy, at the Meeting; and (ii) a majority of the votes cast by the Monterey Securityholders, either in person or by proxy, at the Meeting, after excluding the votes cast in respect of Monterey Securities beneficially owned, or over which control or direction is exercised, by such persons whose votes may not be included in determining minority approval of a business combination pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

9. To be valid a proxy must be deposited with Monterey in the manner described in the Information Circular.
10. The accidental omission to give notice of the Meeting or the non-receipt of the notice or of any Meeting Materials shall not invalidate any resolution passed or proceedings taken at the Meeting.
11. In all other respects, the Meeting shall be conducted in accordance with the articles and bylaws of Monterey and the *ABCA*, subject to such modifications as may be adopted by this Order.

Dissent Rights

12. The registered holders of Monterey Securities are, subject to the provisions of this Order and the Arrangement, accorded the right of dissent under Section 191 of the *ABCA* with respect to the Arrangement Resolution.
13. In order for a Monterey Shareholder to exercise such right of dissent under subsection 191 of the *ABCA*:
 - (a) notwithstanding subsection 191(5) of the *ABCA*, the written objection to the Arrangement Resolution referred to in subsection 191(5) of the *ABCA* is required to be sent to Monterey c/o its counsel Burnet, Duckworth & Palmer LLP, 1400, 350 – 7th Avenue S.W., Calgary, Alberta, T2P 3N9, Attention: Michael J. Donaldson, by 4:00 p.m. (Calgary time) on September 13, 2010 or the day that is two business days immediately preceding the date of the Meeting if the Meeting is not held on September 13, 2010;

- (b) a Dissenting Securityholder shall not have voted his or her Monterey Securities at the Meeting, either by proxy or in person, in favour of the Arrangement Resolution;
 - (c) a Monterey Securityholder may not exercise the right of dissent in respect of only a portion of the holder's Monterey Securities, but may dissent only with respect to all of the holder's Monterey Securities; and
 - (d) Dissenting Securityholders exercising such right of dissent must otherwise comply with the requirements of Section 191 of the *ABCA*, as modified by this Order.
14. With respect to Dissenting Securityholders, the fair value of the Monterey Securities shall be determined as of the close of business on the last Business Day before the day on which the Arrangement is approved by the Monterey Securityholders.
15. Subject to further order of this Honourable Court, the rights available to the Monterey Securityholders under the *ABCA* and the Arrangement to dissent from the Arrangement Resolution shall constitute full and sufficient rights of dissent for the Monterey Securityholders with respect to the Arrangement Resolution.
16. Notice to the Monterey Securityholders of their right of dissent with respect to the Arrangement Resolution and to receive, subject to the provisions of the *ABCA* and the Arrangement, the fair value of their Monterey Securities shall be given by including information with respect to this right in the Information Circular to be sent to Monterey Securityholders in accordance with paragraph 17 of this Order.

Notice

17. An Information Circular, substantially in the form attached as Exhibit A to the Affidavit with amendments thereto as counsel for Monterey may determine necessary or desirable (provided such amendments are not inconsistent with the terms of this Order), shall be mailed by prepaid ordinary mail, at least 21 days prior to the date of the Meeting to Monterey Securityholders at the addresses for such holders recorded in the records of Monterey at the close of business on the Record Date, and to the directors of

Monterey and auditors of Monterey. In calculating the 21 day period, the date of mailing shall be included and the date of the Meeting shall be excluded.

18. An Information Circular as described above shall be provided to the Executive Director by prepaid ordinary mail or delivery at least 21 days prior to the Meeting.
19. Delivery of the Information Circular in the manner directed by this Order shall be deemed to be good and sufficient service upon the Monterey Securityholders, the directors of Monterey, auditors of Monterey and the Executive Director, of:
 - (a) the Petition;
 - (b) this Order;
 - (c) the Notice of the Meeting; and
 - (d) the Notice of Petition;

all in substantially the forms set forth in the Information Circular, together with instruments of proxy and such other material as Monterey may consider fit.

Final Application

20. Subject to further Order of this Honourable Court and provided that the Monterey Securityholders have approved the Arrangement and the directors of Monterey have not revoked that approval, Monterey may proceed with an application for approval of the Arrangement and the Final Order on September 15, 2010 at 1:00 p.m. or so soon thereafter as counsel may be heard at the Court House, Calgary, Alberta. Subject to the Final Order, and subject to the issuance of the Certificate, all Monterey Securityholders, Monterey, Pengrowth, Pengrowth Corporation, AcquisitionCo and all other persons will be bound by the Arrangement in accordance with its terms.
21. Any Monterey Securityholder or any other interested party (collectively, "**Interested Party**") desiring to appear and make submissions at the application for the Final Order must file with this Honourable Court and serve, upon Monterey, on or before 4:00 p.m. on September 13, 2010 (or in the event that the Meeting is not held on September 15,

2010, on or before 4:00 p.m. on the Business Day that is two Business Days prior to the Meeting), a Notice of Intention to Appear, which must include:

- (a) the Interested Party's address for service in the Province of Alberta,
- (b) an indication of whether the Interested Party intends to support or oppose the application or make submissions at the application,
- (c) a summary of the position that the Interested Party intends to advocate before this Honourable Court, and
- (d) any evidence or other materials which the Interested Party intends to present to the Honourable Court.

Service of the Notice of Intention to Appear on Monterey shall be effected by service upon the solicitors for Monterey, Burnet, Duckworth & Palmer LLP, 1400, 350 – 7th Avenue S.W., Calgary, Alberta, T2P 3N9, Attention: Michael J. Donaldson.

22. In the event that the application for the Final Order is adjourned, only those parties appearing before this Honourable Court for the application for the Final Order, and those Interested Parties serving a Notice of Intention to Appear in accordance with paragraph 21 of this Order, shall have notice of the adjourned date.

Leave to Vary Interim Order

23. Monterey is entitled at any time to seek leave to vary this Interim Order upon such terms and the giving of such notice as this Honourable Court may direct.

(signed) "*Justice N.C. Wittmann*"

J.C.Q.B.A.

ENTERED at Calgary, Alberta,
August 12, 2010.

(signed) "*K. McAusland*" Court Seal

Clerk of the Court of Queen's Bench

ACTION NO. 1001-11850

August 12, 2010

**IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE OF CALGARY**

IN THE MATTER OF Section 193 of the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended

**AND IN THE MATTER OF A PROPOSED
ARRANGEMENT INVOLVING MONTEREY
EXPLORATION LTD., PENGROWTH ENERGY
TRUST, PENGROWTH CORPORATION, 1551985
ALBERTA LTD. AND THE SECURITYHOLDERS OF
MONTEREY EXPLORATION LTD.**

INTERIM ORDER

BURNET, DUCKWORTH & PALMER LLP

1400, 350 – 7th Avenue S.W.
Calgary, AB T2P 3N9

Michael J. Donaldson
Telephone: (403) 260-0228
Fax: (403) 260-0332
File No.: 62230-25

APPENDIX C
ARRANGEMENT AGREEMENT

ARRANGEMENT AGREEMENT
AMONG
PENGROWTH ENERGY TRUST
- AND -
PENGROWTH CORPORATION
- AND -
MONTEREY EXPLORATION LTD.

JULY 11, 2010

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ARRANGEMENT AGREEMENT

THIS ARRANGEMENT AGREEMENT is dated as of the 11th day of July, 2010.

AMONG:

PENGROWTH ENERGY TRUST, a trust formed under the laws of the Province of Alberta (hereinafter referred to as "**Pengrowth**")

AND:

PENGROWTH CORPORATION, a corporation incorporated under the laws of the Province of Alberta (hereinafter referred to as "**Pengrowth Corporation**")

AND:

MONTEREY EXPLORATION LTD., a corporation continued under the laws of the Province of Alberta (hereinafter referred to as "**Monterey**")

WHEREAS:

- A. Pengrowth Corporation wishes to acquire all of the issued and outstanding shares of Monterey;
- B. Pengrowth Corporation is a wholly-owned subsidiary of Pengrowth;
- C. Pengrowth, Pengrowth Corporation and Monterey wish to propose an arrangement involving, among other things, the acquisition by Pengrowth Corporation of all of the issued and outstanding shares of Monterey that it does not already own;
- D. the Parties intend to carry out the transactions contemplated herein by way of an arrangement under the provisions of the *Business Corporations Act* (Alberta); and
- E. the Parties have entered into this Agreement to provide for the matters referred to in the foregoing recitals and for other matters relating to such arrangement.

NOW THEREFORE, in consideration of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties hereto do hereby covenant and agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement, the following defined terms have the meanings hereinafter set forth:

- (a) "**ABCA**" means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;
- (b) "**Acquisition Proposal**" means, with respect to Monterey, any inquiry or the making of any proposal to Monterey or the Monterey Shareholders from any Person or Persons acting "jointly or in concert" (where such phrase has the meaning ascribed thereto in Applicable Canadian Securities Laws) prior to the termination of this Agreement or consummation of the Arrangement, as applicable, which constitutes, or may reasonably be expected to lead to (in either case whether in one transaction or a series of transactions):

- (i) any direct or indirect sale, issuance or acquisition of shares or other equity interests (or securities convertible into or exercisable for such shares or interests) in Monterey representing 20% or more of the issued and outstanding voting securities or other equity interests in Monterey;
- (ii) any direct or indirect acquisition or purchase (or any lease, long-term supply agreement or other arrangement having the same economic effect as an acquisition or purchase), in a single transaction or a series of related transactions, of assets of Monterey representing 20% or more of the assets of Monterey;
- (iii) an amalgamation, arrangement, merger, business combination, consolidation or other similar transaction involving Monterey;
- (iv) a take-over bid, issuer bid, exchange offer, recapitalization, liquidation, dissolution, reorganization or other similar transaction involving Monterey; or
- (v) any other transaction, the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by this Agreement or the Arrangement or which would or could reasonably be expected to materially reduce the benefits to Pengrowth under this Agreement or the Arrangement,

except that for the purpose of the definition of "Superior Proposal" in Section 1.1(bbbb), the reference in the definition of "Acquisition Proposal" to "20% or more of the issued and outstanding voting securities or other equity interests" shall be deemed to be a reference to "50% or more of the issued and outstanding voting securities or other equity interests", and clauses (ii) and (v) shall not apply;

- (c) "**Adjusted Weighted Average Trading Price**" shall be determined by dividing: (i) the aggregate dollar trading value of all Pengrowth Trust Units sold on the TSX over the five consecutive trading days ending on the day preceding the Effective Date; by (ii) the total number of Pengrowth Trust Units sold on the TSX during such period; and multiplying such amount by 0.8298;
- (d) "**Agreement**", "**herein**", "**hereof**", "**hereto**", "**hereunder**" and similar expressions mean and refer to this arrangement agreement (including the schedules hereto) as supplemented, modified or amended, and not to any particular article, section, schedule or other portion hereof;
- (e) "**Applicable Canadian Securities Laws**" means, collectively, and as the context may require, the applicable securities legislation of each of the provinces and territories of Canada, and the rules, regulations, instruments, orders and policies published and/or promulgated thereunder, as such may be amended from time to time prior to the Effective Date;
- (f) "**Applicable Laws**", in the context that refers to one or more Persons, means any domestic or foreign, federal, state, provincial or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Authority, and any terms and conditions of any grant of approval, permission, authority or license of any Governmental Authority, that is binding upon or applicable to such Person or Persons or its or their business, undertaking, property or securities and emanate from a Person having jurisdiction over the Person or persons or its or their business, undertaking, property or securities;
- (g) "**Area of Exclusion Agreement**" means the agreement to be entered into on the Effective Date between Pengrowth Corporation and each of REDACTED – names of individuals;
- (h) "**Arrangement**" means the arrangement under the provisions of Section 193 of the ABCA, on the terms and conditions set forth herein and in the Plan of Arrangement as supplemented, modified or amended;

- (i) "**Arrangement Resolution**" means the special resolution of Monterey Securityholders in respect of the Arrangement to be considered at the Monterey Meeting substantially in the form attached hereto as Exhibit "B" hereto;
- (j) "**Articles of Arrangement**" means the articles of arrangement to be prepared by Monterey, with the cooperation, consultation and prior approval of Pengrowth, acting reasonably, as provided for herein, in respect of the Arrangement required under Section 193 of the ABCA to be sent to the Registrar after the Final Order has been granted, giving effect to the Arrangement;
- (k) "**Business Day**" means a day other than a Saturday, Sunday or other day when banks in the city of Calgary, Alberta, are not generally open for business;
- (l) "**Competition Act**" means the *Competition Act*, R.S.C. 1985, c. C-34, as amended;
- (m) "**Competition Act Approval**" means either:
 - (i) the issue of an advance ruling certificate under Section 102 of the Competition Act, provided that such advance ruling certificate has not been rescinded prior to the Effective Date; or
 - (ii) (A) the expiry or termination of the waiting period under Section 123 of the Competition Act, or waiver by the Commissioner of Competition of the notification requirement pursuant to Section 113(c) of that Act, and
 - (B) the Commissioner of Competition advising Pengrowth, in writing, on terms satisfactory to Pengrowth Corporation in its sole discretion, acting reasonably, that she has no intention to file an application under Part VIII of the Competition Act, in connection with the transactions contemplated by this Agreement and such advice has not been rescinded prior to the Effective Date;
- (n) "**Confidential Information**" has the meaning ascribed thereto in Section 3.5(f);
- (o) "**Confidentiality Agreement**" means the confidentiality agreement dated May 25, 2010 between Monterey and Pengrowth entered into in connection with the transaction contemplated herein;
- (p) "**Continuing Employees**" has the meaning ascribed thereto in Section 2.5(a);
- (q) "**Contract**" means, with respect to a Party, a contract, lease, instrument, note, bond, debenture, mortgage, agreement, arrangement or understanding, written or oral, to which such Party, or any of its subsidiaries, is a Party or under which such Party or any of its subsidiaries is bound, has unfulfilled obligations or contingent liabilities or is owed unfulfilled obligations, whether known or unknown, and whether asserted or not;
- (r) "**Cormark**" means Cormark Securities Inc.;
- (s) "**Cormark Fairness Opinion**" means the opinion of Cormark that the consideration to be received pursuant to the Arrangement is fair, from a financial point of view, to Monterey Shareholders;
- (t) "**Court**" means the Court of Queen's Bench of Alberta;
- (u) "**Depository**" means the depository under the Arrangement, Computershare Trust Company of Canada;
- (v) "**Disclosed Personal Information**" has the meaning ascribed thereto in Section 4.3(b);

- (w) "**Disclosure Letter**" means the disclosure letter dated July 11, 2010 from Monterey to Pengrowth as amended or supplemented by Monterey with the agreement of Pengrowth Corporation prior to the Effective Time;
- (x) "**Dissent Rights**" means the rights of dissent granted in favour of registered Monterey Securityholders in respect of the Arrangement as described in the Plan of Arrangement;
- (y) "**distribution**" means "distribution" or "distribution to the public", as the case may be, as defined under the applicable Canadian Securities Laws; and "distribute" has a corresponding meaning;
- (z) "**Effective Date**" has the meaning ascribed thereto in Section 2.1(d);
- (aa) "**Effective Time**" means the first moment of time on the Effective Date;
- (bb) "**Encumbrances**" means, in the case of property or an asset, all mortgages, pledges, charges, liens, debentures, hypothecs, trust deeds, rights of first refusal, outstanding demands, burdens, capital leases, assignments by way of security, security interests, conditional sales contracts or other title retention agreements or similar interests or instruments charging, or creating a security interest in, or against title to, such property or asset, or any part thereof or interest therein, and any agreements, leases, options, easements, rights of way, restrictions, executions or other charges or encumbrances (including notices or other registrations in respect of any of the foregoing) (whether by Applicable Law, contract or otherwise) against title to any of the property or asset, or any part thereof or interest therein;
- (cc) "**Environmental Approvals**" means all permits, certificates, licences, authorizations, consents, instructions, registrations, directions or approvals issued or required by Governmental Authorities pursuant to Environmental Laws;
- (dd) "**Environmental Laws**" means, with respect to any Person or its business, activities, property, assets or undertaking, all Applicable Laws, relating to environmental or health matters including legislation governing the use and storage of Hazardous Substances and the plugging of wells;
- (ee) "**Exchangeable Share Consideration**" has the meaning ascribed thereto in Section 2.1(a)(i);
- (ff) "**Exercise Price Differential**" means, in respect of a Monterey Option, the amount by which the Adjusted Weighted Average Trading Price exceeds the exercise price of such Monterey Option;
- (gg) "**Final Order**" means the order of the Court approving the Arrangement to be applied for by Monterey following the Monterey Meeting and to be granted pursuant to Subsection 193(9) of the ABCA in respect of Monterey Securityholders, Monterey, Pengrowth and Pengrowth Corporation, as such order may be affirmed, amended or modified by the Court (with the consent of both Monterey and Pengrowth Corporation, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that such amendment is acceptable to both Monterey and Pengrowth Corporation, each acting reasonably) on appeal;
- (hh) "**GAAP**" has the meaning ascribed thereto in Section 1.8;
- (ii) "**Governmental Authority**" means any:
 - (i) multinational, federal, provincial, state, regional, municipal, local or other government or any governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau ministry or agency, domestic or foreign;
 - (ii) any subdivision, agent, commission, board or authority of any of the foregoing;

- (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing; and
- (iv) any stock exchange;
- (jj) "**Governmental Authorization**" means with respect to an entity, all licenses, permits, certificates, consents, orders, grants, registrations, recognition orders, exemption relief orders, no-action relief and other authorizations (including in connection with Environmental Laws) from any Governmental Authority necessary in connection with its business as it is now being or proposed to be conducted;
- (kk) "**Hazardous Substances**" means any pollutant, contaminant, waste of any nature, hazardous substance, hazardous material, toxic substance, dangerous substance or dangerous good as defined, judicially interpreted or identified in any Environmental Laws, including but not limited to Polychlorinated Biphenyl and production waters;
- (ll) "**Information Circular**" means the management information circular and proxy statement of Monterey, together with all appendices thereto to be mailed or otherwise distributed by Monterey to the Monterey Securityholders or such other securityholders of Monterey as may be required pursuant to the Interim Order in connection with the Monterey Meeting;
- (mm) "**Interim Order**" means an interim order of the Court concerning the Arrangement under Subsection 193(4) of the ABCA in respect of Pengrowth, Pengrowth Corporation, Monterey and the Monterey Securityholders, containing declarations and directions with respect to the Arrangement and the holding of the Monterey Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (nn) "**Investment Canada Act**" means the *Investment Canada Act*, R.S.C. 1985, c. 28 (1st Supp.), as amended;
- (oo) "**ITA**" means the *Income Tax Act (Canada)*, R.S.C. 1985, c. 1 (5th Supp.), as amended, including the regulations promulgated thereunder, as amended from time to time;
- (pp) "**Key Employees**" has the meaning ascribed thereto in Section 2.5(c);
- (qq) "**Liabilities**" means any and all debts, liabilities and obligations of any nature whatsoever, whether accrued or fixed, absolute or contingent, including those arising under any Law, Contract, permit, license or other undertaking and as a result of any act or omission;
- (rr) "**Lock-up Agreement**" means an agreement to be entered into between Pengrowth and each of the directors, officers and key employees of Monterey (unless the Parties agree otherwise) and each affiliate of such directors and officers that owns Monterey Common Shares, in form satisfactory to Pengrowth Corporation pursuant to which such directors and officers, affiliates agree with Pengrowth, among other things, to vote in favour of the Arrangement Resolution and otherwise support the transactions contemplated by this Agreement;
- (ss) "**Mailing Date**" means the date on which the Information Circular is mailed to the Monterey Securityholders;
- (tt) "**Material Adverse Change**" or "**Material Adverse Effect**" means, with respect to or on Monterey or Pengrowth, as applicable, any fact or state of facts, circumstance, change, effect, occurrence or event that individually or in the aggregate is, or would reasonably be expected to be, material and adverse to the condition (financial or otherwise) business, operations, properties, licenses, affairs, assets, liabilities (contingent or otherwise), capitalization, results of operations, cash flows or prospects of Monterey, or of Pengrowth and Pengrowth Corporation, taken as a whole, as applicable, other than any such change, effect, occurrence or event relating to or resulting from:

- (i) conditions affecting the oil and gas industry generally in jurisdictions in which Monterey or Pengrowth Corporation, as applicable, carries on business, including changes in commodity prices, royalties, Applicable Laws or taxes;
 - (ii) general economic, financial, currency exchange, securities or commodity prices in Canada, the United States or elsewhere;
 - (iii) any matter which has been publicly disclosed or has been communicated in writing to Pengrowth or to Monterey, as applicable, as of the date of this Agreement;
 - (iv) relating to a change in the market trading price or trading volume of the Monterey Common Shares or the Pengrowth Trust Units, as applicable, either:
 - (A) as a direct result of this Agreement and the Arrangement or the announcement thereof; or
 - (B) as a result of a change, effect, event or occurrence excluded from the definition of Material Adverse Effect under clauses (i), (ii), (iii) or (v) hereof;
 - (v) any matter permitted by this Agreement or consented to in writing by Pengrowth Corporation or Monterey, as the case may be; or
 - (vi) the matters set forth in the Disclosure Letter expressly stated not to be a Material Adverse Change, provided, however, that the change or effect referred to in (i) or (ii) above does not primarily relate only to (or have the effect of primarily relating only to) Monterey or Pengrowth and Pengrowth Corporation, taken as a whole, as applicable, or disproportionately affects Monterey or Pengrowth and Pengrowth Corporation, taken as a whole, as applicable, compared to other entities of similar size operating in the oil and gas exploration, exploitation, development and production industry, in which case the relevant exclusion from this definition of Material Adverse Change or Material Adverse Effect referred to above shall not be applicable;
- (uu) "**Misrepresentation**", "**Material Change**" and "**Material Fact**" shall have the meanings ascribed thereto under Applicable Canadian Securities Laws;
 - (vv) "**MI 61-101**" means Multilateral Instrument 61-101 – *Protection of Minority Securityholders in Special Transactions*;
 - (ww) "**Monterey**" means Monterey Exploration Ltd., a corporation continued under the ABCA;
 - (xx) "**Monterey Board of Directors**" means the board of directors of Monterey as it may be comprised from time to time;
 - (yy) "**Monterey Change of Control Payments**" means obligations of Monterey pursuant to all employment or consulting services agreements, termination, severance and retention plans or policies for severance, termination or bonus payments and any payments related to any incentive plan, arising out of or in connection with the Arrangement and including Retention Bonuses in respect of employees of Monterey who are Continuing Employees but not including payments, if any, in respect of Monterey Options;
 - (zz) "**Monterey Common Shares**" means, collectively, the common voting shares and the common non-voting shares in the capital of Monterey;
 - (aaa) "**Monterey Credit Facility**" means the credit facility of Monterey as described in the Monterey Financial Statements, as amended;

- (bbb) "**Monterey Financial Statements**" means, collectively,
- (i) the audited comparative financial statements of Monterey as at and for the fiscal years ended December 31, 2009 and December 31, 2008, together with the notes thereto and the auditors' report thereon; and
 - (ii) the unaudited financial statements of Monterey as at and for the three month period ended March 31, 2010, together with the notes thereto;
- (ccc) "**Monterey Information**" means all information required by Applicable Canadian Securities Laws to be included in the Information Circular describing Monterey and the business, operations and affairs of Monterey;
- (ddd) "**Monterey Meeting**" means the special meeting of Monterey Securityholders to be held to consider the Arrangement Resolution and related matters, and any adjournment(s) thereof;
- (eee) "**Monterey Net Debt**" means, except as otherwise provided in this Agreement, the total debt (comprised of bank indebtedness plus accounts payable and accrued liabilities) of Monterey less the total of cash and cash equivalents (comprised of accounts receivable) and prepaid and other charges of Monterey as recorded on the balance sheet of the financial statements of Monterey. Excluded from the determination of the Monterey Net Debt are any amounts related to unrealized mark-to-market hedging adjustments;
- (fff) "**Monterey Option Plan**" means the Monterey share option plan in effect on the date hereof and the agreements entered into thereunder;
- (ggg) "**Monterey Optionholders**" means holders of Monterey Options;
- (hhh) "**Monterey Options**" means options granted pursuant to the Monterey Option Plan;
- (iii) "**Monterey Public Record**" means all information filed by or on behalf of Monterey after December 31, 2009 with the Securities Authorities, in compliance, or intended compliance, with any Applicable Laws;
- (jjj) "**Monterey Securities**" means, collectively, the Monterey Common Shares and the Monterey Options;
- (kkk) "**Monterey Securityholders**" means, collectively, the Monterey Shareholders and the Monterey Optionholders;
- (lll) "**Monterey Shareholders**" means holders of Monterey Common Shares;
- (mmm) "**Monterey Transaction Costs**" means, collectively, the Monterey Change of Control Payments together with all other costs of Monterey (whether incurred, accrued or billed) in connection with the Arrangement, including, without limitation, fees and expenses of financial advisors, the Valuator, legal advisors, auditors, and engineers. The Disclosure Letter includes Monterey's *bona fide* good faith estimate, having regard to the assumptions set forth therein, of the Monterey Transaction Costs;
- (nnn) "**NYSE**" means the New York Stock Exchange;
- (ooo) "**Other Party**" means, with respect to the applicable Pengrowth Party(ies), Monterey and, with respect to Monterey, the applicable Pengrowth Party(ies);
- (ppp) "**Outside Date**" means November 30, 2010;
- (qqq) "**Parties**" means, collectively, the parties to this Agreement, and "**Party**" means any one of them, and where implied by the context, means the Pengrowth Parties or Monterey, as the case may be;

- (rrr) **"Pengrowth"** means Pengrowth Energy Trust, a trust formed under the laws of the Province of Alberta;
- (sss) **"Pengrowth Board of Directors"** means the board of directors of Pengrowth Corporation, as it may be comprised from time to time, including any duly constituted and acting committee thereof;
- (ttt) **"Pengrowth Corporation"** means Pengrowth Corporation, a corporation amalgamated under the ABCA;
- (uuu) **"Pengrowth Damages Event"** has the meaning ascribed thereto in Section 6.1;
- (vvv) **"Pengrowth Exchangeable Shares"** means exchangeable shares in the capital of Pengrowth Corporation having the rights, privileges, restrictions and conditions mutually agreeable to Pengrowth and Monterey, acting reasonably;
- (www) **"Pengrowth Financial Statements"** means, collectively,
- (i) the audited comparative consolidated financial statements of Pengrowth as at and for the fiscal years ended December 31, 2009 and December 31, 2008, together with the notes thereto and the auditors' report thereon; and
 - (ii) the unaudited consolidated financial statements of Pengrowth as at and for the three month period ended March 31, 2010, together with the notes thereto;
- (xxx) **"Pengrowth Information"** means all information required by Applicable Canadian Securities Laws to be included in the Information Circular describing the Pengrowth Parties and the business, operations and affairs of the Pengrowth Parties;
- (yyy) **"Pengrowth Parties"** means, collectively and taken as a whole, Pengrowth and Pengrowth Corporation and **"Pengrowth Party"** means either of them;
- (zzz) **"Pengrowth Public Record"** means all information filed by or on behalf of Pengrowth after December 31, 2009 with the Securities Authorities, in compliance, or intended compliance, with any Applicable Laws;
- (aaaa) **"Pengrowth Termination Fee"** has the meaning ascribed thereto in Section 6.1;
- (bbbb) **"Pengrowth Trust Indenture"** means the trust indenture as amended and restated as of July 1, 2009 between Pengrowth Corporation and the Pengrowth Trustee;
- (cccc) **"Pengrowth Trust Units"** means trust units of Pengrowth Energy Trust;
- (dddd) **"Pengrowth Trustee"** means Computershare Trust Company of Canada;
- (eeee) **"Person"** includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate group, body corporate, corporation, unincorporated association or organization, Governmental Authority, syndicate or other entity, whether or not having legal status;
- (ffff) **"Plan of Arrangement"** means the plan of arrangement under the ABCA substantially in the form set out in Exhibit "A" hereto, as such plan of arrangement may be amended or supplemented from time to time in accordance with the terms thereof and hereof;
- (gggg) **"Registrar"** means the Registrar of Corporations for the Province of Alberta duly appointed under Section 263 of the ABCA;
- (hhhh) **"Retention Bonus"** has the meaning ascribed thereto in Section 2.5(d);

- (iii) "**Securities Act**" means the *Securities Act*, R.S.A. 2000, c. S-4, as amended;
- (jjjj) "**Securities Authorities**" means, collectively, the securities commissions or similar securities regulatory authorities in each of the Provinces and Territories of Canada;
- (kkkk) "**subsidiary**" has the meaning ascribed thereto in the Securities Act (and shall include all trusts or partnerships directly or indirectly owned by Monterey or Pengrowth, as the case may be);
- (llll) "**Superior Proposal**" means an unsolicited written *bona fide* Acquisition Proposal made after the date hereof from a Person (other than Pengrowth):
 - (i) that in the case of paragraph 3.5(b)(v)(A) the funds or other consideration necessary for the Acquisition Proposal are or are likely to be available, and in the case of paragraphs 3.5(b)(vi) and 3.5(d) that funds or other consideration necessary for Acquisition Proposal are available, in each case as demonstrated to the satisfaction of the Monterey Board of Directors, acting in good faith;
 - (ii) that is capable of being completed without undue delay, taking into account all financial, legal regulatory and other aspects of such proposal and the Person making such proposal;
 - (iii) that did not result from or involve a breach of Section 3.5; and
 - (iv) in respect of which the Monterey Board of Directors determined in good faith (after the receipt of advice from their legal counsel with respect to (A) and their financial advisors with respect to (B)) that: (A) as reflected in the minutes of the Monterey Board of Directors, in the case of paragraph 3.5(b)(v)(A) failure to take such action would be inconsistent with their fiduciary duties, and in the case of paragraphs 3.5(b)(vi) and 3.5(d) failure to recommend such Acquisition Proposal to Monterey Shareholders would be inconsistent with their fiduciary duties, and (B) such Acquisition Proposal, taking into account all of the terms and conditions thereof, if consummated in accordance with its terms (but not assuming away any risk of non-completion), would result in a transaction more favourable to Monterey Shareholders from a financial point of view than the transactions contemplated by this Agreement (including in each case after taking into account any modifications to this Agreement proposed by Pengrowth as contemplated by Section 3.5(d));
- (mmmm) "**Support Agreement**" means a support agreement relating to the Pengrowth Exchangeable Shares to be entered into on the Effective Date having terms and conditions mutually agreeable to Pengrowth and Monterey, acting reasonably;
- (nnnn) "**Trust Unit Consideration**" has the meaning ascribed thereto in Section 2.1(a)(i);
- (oooo) "**Tax**" or "**Taxes**" shall mean any and all taxes, duties, fees, excises, premiums, assessments, imposts, levies and other charges or assessments of any kind whatsoever however denominated, including any interest, penalties or other additions that may become payable in respect thereof, imposed by any Taxing Authority, whether computed on a separate, consolidated, unitary, combined or other basis, which taxes shall include, without limiting the generality of the foregoing, all income or profits taxes (including, but not limited to, federal income taxes and provincial income taxes), payroll and employee withholding taxes, employment insurance premiums, unemployment insurance, social insurance taxes, Canada Pension Plan contributions, sales and use taxes, value added taxes, ad valorem taxes, excise taxes, franchise taxes, gross receipts taxes, environmental taxes, capital taxes, production taxes, recapture, withholding taxes, employee health taxes, surtaxes, customs, import and export taxes, business license taxes, occupation taxes, real and personal property taxes, stamp taxes, environmental taxes, transfer taxes, workers' compensation and other governmental charges, and other obligations of the same or of a similar nature to any of the foregoing, which Monterey or Pengrowth, as applicable (and in the case of Pengrowth, any of its subsidiaries), as the case may be, is required to pay, withhold, remit or collect;

- (pppp) "**Tax Pools**" means undepreciated capital cost of any particular class of depreciable property, earned depletion base, cumulative Canadian exploration expense, cumulative Canadian development expense, cumulative Canadian oil and gas property expense, foreign exploration and development expense, capital losses, non capital losses, cumulative eligible capital, attributed Canadian royalty income and investment tax credits, all as defined in the ITA, and financing expenses referred to in Section 20(1)(e) of the ITA;
- (qqqq) "**Tax Returns**" shall mean all reports, estimates, elections, notices, filings, designations, forms, declarations of estimated tax, information statements and returns relating to, or required to be supplied to any Taxing Authority in connection with, any Taxes (including any attached schedules, estimated tax returns, withholding tax returns, and information returns and reports);
- (rrrr) "**Taxing Authority**" shall mean any Governmental Authority responsible for the imposition of any Tax (domestic or foreign);
- (ssss) "**Third Party Approvals**" has the meaning ascribed thereto in Section 5.1(e);
- (tttt) "**Third Party Beneficiaries**" has the meaning ascribed thereto in Section 10.10;
- (uuuu) "**threatened**" when used in relation to legal action or any other matter, means that a demand or statement (oral or written) has been made or a notice (oral or written) has been given that such legal action or other matter is to be asserted, commenced, taken or otherwise pursued in the future or that an event has occurred or circumstances exist that would lead a reasonable Person to conclude that such legal action or other matter is likely to be asserted, commenced, taken or otherwise pursued in the future;
- (vvvv) "**TSX**" means the Toronto Stock Exchange;
- (wwww) "**United States**" means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;
- (xxxx) "**U.S. Securities Act**" means the *United States Securities Act of 1933*, as amended, and the rules, regulations and orders promulgated thereunder;
- (yyyy) "**U.S. Securities Laws**" means the federal and state securities legislation of the United States and all rules, regulations and orders promulgated thereunder, as amended from time to time;
- (zzzz) "**Valuation**" means the formal valuation of the Monterey Common Shares to be dated on or prior to the Mailing Date, prepared by Valuator in accordance with the requirements of MI 61-101 and addressed to the special committee of the Monterey Board of Directors;
- (aaaaa) "**Valuator**" means Wellington West Capital Markets Inc.; and
- (bbbbb) "**Voting and Exchange Trust Agreement**" means a voting and exchange trust agreement relating to the Pengrowth Exchangeable Shares to be entered into on the Effective Date having terms and conditions mutually agreeable to Pengrowth and Monterey, acting reasonably.

1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into articles, sections and subsections is for convenience of reference only and does not affect the construction or interpretation of this Agreement. The terms "this Agreement", "hereof", "herein" and "hereunder" and similar expressions refer to this Agreement (including Schedule A hereto) and not to any particular article, section or other portion hereof and include any agreement or instrument supplementary or ancillary hereto.

1.3 Number and Gender

Words importing the singular number include the plural and vice versa, words importing the use of any gender include all genders, and words importing persons include firms and corporations and vice versa.

1.4 Date for Any Action

If any date on which any action is required to be taken hereunder by any of the Parties is not a Business Day and a business day in the place where an action is required to be taken, such action is required to be taken on the next succeeding day which is a Business Day and a business day, as applicable, in such place.

1.5 Entire Agreement

This Agreement, the Confidentiality Agreement, and the Disclosure Letter, together with the agreements and documents herein and therein referred to, constitute the entire agreement among the Parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, among the Parties with respect to the subject matter hereof. To the extent of any inconsistency between this Agreement and the Confidentiality Agreement, this Agreement shall supercede the Confidentiality Agreement.

1.6 Statute and Agreement References

Any reference in this Agreement to any statute or any section thereof shall, unless otherwise expressly stated, be deemed to be a reference to such statute or section as amended, restated or re-enacted from time to time. References to any agreement or document shall be to such agreement or document (together with all schedules and exhibits thereto), as it may have been or may hereafter be amended, supplemented, replaced or restated from time to time.

1.7 Currency

All sums of money that are referred to in this Agreement are expressed in lawful money of Canada unless otherwise noted.

1.8 Accounting Matters

Unless otherwise stated, all accounting terms used in this Agreement shall have the meanings attributable thereto under Canadian generally accepted accounting principles ("**GAAP**") and all determinations of an accounting nature are required to be made shall be made in a manner materially consistent with GAAP.

1.9 Disclosure in Writing

Reference to disclosure in writing herein shall, in the case of disclosure to Pengrowth, be references exclusively to the Disclosure Letter, or in the case of disclosure to Monterey, include disclosure in writing to Monterey or its representatives.

1.10 Interpretation Not Affected by Party Drafting

The Parties hereto acknowledge that their respective legal counsel have reviewed and participated in settling the terms of this Agreement, and the Parties agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting party will not be applicable in the interpretation of this Agreement.

1.11 Knowledge

Where any representation or warranty contained in this Agreement is expressly qualified by reference to the knowledge of Monterey or Pengrowth, as applicable, it refers to the actual knowledge of any officer

of Monterey in respect of Monterey, and any officer of Pengrowth Corporation in respect of Pengrowth, in each case after reasonable inquiry, and in each case in their capacity as officers of Monterey or Pengrowth Corporation and not in their personal capacity, as of the date of this Agreement.

1.12 Enforceability

All representations, warranties, covenants and opinions in or contemplated by this Agreement as to the enforceability of any covenant, agreement or document are subject to enforceability being limited by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights generally, and the discretionary nature of certain remedies (including specific performance and injunctive relief and general principles of equity).

1.13 Exhibits

The following exhibits attached hereto are incorporated into and form an integral part of this Agreement:

Exhibit "A" – Plan of Arrangement
Exhibit "B" – Arrangement Resolution

ARTICLE 2 THE ARRANGEMENT

2.1 Plan of Arrangement

- (a) The Parties agree to carry out the Arrangement pursuant to which (among other things):
- (i) Monterey Shareholders (other than Pengrowth Corporation and those who have validly exercised Dissent Rights), including holders of Monterey Options who receive Monterey Common Shares upon the exercise or deemed exercise of such Monterey Options, shall receive, for each Monterey Common Share held, at the election of the Monterey Shareholder, either: (i) 0.8298 Pengrowth Trust Units (the "**Trust Unit Consideration**"); or (ii), subject to Section 2.1(b), 0.8298 Pengrowth Exchangeable Shares (the "**Exchangeable Share Consideration**"); (iii) subject to Section 2.1(b), some combination of the Trust Unit Consideration and the Exchangeable Share Consideration; and
 - (ii) Each Monterey Option that is not exercised by the holder thereof (and in respect of which Dissent Rights have not been validly exercised) and is outstanding immediately before the Effective Time shall be deemed to be exercised for that number of Monterey Common Shares that is equal to the Exercise Price Differential divided by the Adjusted Weighted Average Trading Price,
- subject to, in all cases, a maximum of 33,825,711 Pengrowth Trust Units to be issued in the aggregate, inclusive of the Pengrowth Trust Units issuable pursuant to the Pengrowth Exchangeable Shares.
- (b) Monterey Securityholders who are either non-residents of Canada for the purposes of the ITA or persons who are exempt from tax under Part I tax of the ITA will not be entitled to elect to receive Pengrowth Exchangeable Shares in exchange for their Monterey Securities pursuant to the Arrangement and, where such Monterey Securityholders have not made an election, such Monterey Securityholders will be deemed to have elected to receive Pengrowth Trust Units in exchange for their Monterey Securities pursuant to the Arrangement.
 - (c) The Arrangement has been and shall continue to be structured such that on the Effective Date the issuance of the Pengrowth Trust Units and Pengrowth Exchangeable Shares issuable to the Monterey Securityholders under the Arrangement and all other trades of securities under the Arrangement will be made (i) in compliance with Applicable Canadian Securities Laws and (ii) not require registration under the U.S. Securities Act, in reliance on Section 3(a)(10) of the U.S. Securities Act.

- (d) The Parties agree to reasonably cooperate with the other Parties and their tax advisors in respect of any proposed amendments to the Plan of Arrangement. The Plan of Arrangement may be amended in accordance with Section 7.2. On the third Business Day after the last of the conditions set forth in Section 5.1(c), Section 5.1(e) and Section 5.1(g) has been satisfied or, where not prohibited, waived by the applicable Party or Parties in whose favour the condition is (provided, that on the second Business Day after such conditions have been satisfied or waived each of the other conditions set forth in Article 5 have also been satisfied or, where not prohibited, waived by the applicable Party or Parties in whose favour the condition is), unless another time or date is agreed to in writing by the Parties, the Parties will complete the Arrangement (the "**Effective Date**") and the Arrangement shall become effective at the Effective Time whereupon the steps comprising the Plan of Arrangement will be deemed to occur in the order, at the times, and in the manner set forth therein. The closing of the transactions contemplated hereby will take place at the offices of counsel to Pengrowth or at such other location as may be agreed upon by the Parties.
- (e) The Parties shall use their commercially reasonable efforts to cause the Effective Date to occur on or about September 15, 2010 or as soon thereafter as reasonably practicable and in any event by the Outside Date.

2.2 Interim Order

Monterey agrees that as soon as reasonably practicable after the date hereof, but in any event prior to August 16, 2010, Monterey shall apply in a manner reasonably acceptable to Pengrowth pursuant to Section 193 of the ABCA and, in cooperation with Pengrowth, acting reasonably, prepare, file and diligently pursue an application for the Interim Order, which shall provide, among other things:

- (a) for the calling and the holding of the Monterey Meeting, including the record date for determining the Persons to whom notice of the Monterey Meeting is to be provided and for determining the Persons entitled to vote at the Monterey Meeting;
- (b) that the securities of Monterey for which holders as at the record date established for the Monterey Meeting shall be entitled to vote on the Arrangement Resolution shall be the Monterey Common Shares and the Monterey Options voting together as a single class;
- (c) that all Monterey Securityholders as at the record dates established for the Monterey Meeting shall be entitled to vote on the Arrangement Resolution, with Monterey Securityholders being entitled to one vote for each Monterey Security held by them;
- (d) that the requisite level of approval for the Arrangement Resolution shall be: (1) at least two-thirds of the votes cast on the Arrangement Resolution by those Monterey Securityholders present in person or represented by proxy and entitled to vote at the Monterey Meeting; (2) a majority of the votes cast by the Monterey Shareholders and Monterey Optionholders present in person or by proxy, after excluding the votes by those persons whose votes must be excluded pursuant to MI 61-101; and (3) any requisite approval that may be required by the TSX;
- (e) that, in all other respects, the terms, restrictions and conditions of the constating documents of Monterey, including quorum requirements and all other matters, shall apply in respect of the Monterey Meeting;
- (f) for the grant of the Dissent Rights;
- (g) for the notice requirements with respect to the presentation of the application to the Court for the Final Order; and
- (h) that the Monterey Meeting may be adjourned or postponed from time to time by Monterey with the consent of Pengrowth Corporation without the need for additional approval of the Court.

2.3 Information Circular

As promptly as practical following the execution of this Agreement, and in compliance with the Interim Order and Applicable Laws (including Applicable Canadian Securities Laws):

- (a) Pengrowth shall prepare the Pengrowth Information for inclusion in the Information Circular and provide the Pengrowth Information to Monterey in a timely and expeditious manner;
- (b) Monterey shall prepare the Information Circular and Monterey shall ensure that the Information Circular provides Monterey Securityholders with information in sufficient detail to permit them to form a reasoned judgment concerning the matters before them, in all cases ensuring compliance in all material respects with all Applicable Canadian Securities Laws (including compliance in respect of the distribution of the Pengrowth Trust Units and Pengrowth Exchangeable Shares) on the date of issue thereof; and
- (c) Monterey shall cause the Information Circular to be mailed to the Monterey Securityholders and such other securityholders of Monterey or other third parties as may be required pursuant to the Interim Order, and filed with applicable regulatory authorities and other Governmental Authorities in all jurisdictions where the same are required to be mailed and filed.

2.4 Preparation of Filings

- (a) Pengrowth and Monterey shall cooperate in:
 - (i) seeking the Interim Order and the Final Order, including by Pengrowth providing Monterey on a timely basis any information required to be supplied by Pengrowth concerning itself in connection therewith. Monterey shall provide legal counsel to Pengrowth with reasonable opportunity to review and comment upon drafts of all material to be filed with the Court in connection with the Arrangement, and shall give reasonable consideration to all such comments. Monterey shall also provide legal counsel to Pengrowth on a timely basis with copies of any notice of appearance and evidence served on Monterey or its legal counsel in respect of the application for the Final Order or any appeal therefrom. Subject to Applicable Laws, Monterey shall not file any material with the Court in connection with the Arrangement or serve any such material, and shall not agree to modify or amend materials so filed or served, except with Pengrowth's prior written consent, such consent not to be unreasonably withheld, conditioned or delayed; provided that nothing herein shall require Pengrowth to agree or consent to any increase in the consideration to be received by Monterey Securityholders or other modification or amendment to such filed or served materials that expands or increases Pengrowth's obligations, or diminishes or limits Pengrowth's rights, set forth in any such filed or served materials or under this Agreement; and
 - (ii) the taking of all such action as may be required under the ABCA, Applicable Canadian Securities Laws and U.S. Securities Laws in connection with the transactions contemplated by this Agreement and the Plan of Arrangement and the taking of all such action as may be required under the ABCA, Applicable Canadian Securities Laws and the U.S. Securities Laws in connection with the transactions contemplated by this Agreement and the Plan of Arrangement.
- (b) Each of Pengrowth and Monterey shall promptly furnish to the other all information concerning it as may be required for the effectuation of the actions described in Section 2.1 and the foregoing provisions of this Section 2.4, and each covenants that no information furnished by it in connection with such actions or otherwise in connection with the consummation of the Arrangement and the other transactions contemplated by this Agreement will contain any Misrepresentation.

2.5 Employees and Employment Agreements

- (a) Unless otherwise agreed upon among the Parties, Pengrowth shall use reasonable commercial efforts to, not less than 15 days after the date of this Agreement, determine the employees of Monterey, other than the

Key Employees, who will either be offered employment with Pengrowth or a subsidiary of Pengrowth or be provided with confirmations of continued employment, as the case may be at the Effective Time (such employees being the "**Continuing Employees**"). Unless otherwise agreed to between the Parties, the Continuing Employees shall not include the employees of Monterey who are identified in the Disclosure Letter. The Continuing Employees, unless their employment is terminated, shall continue to be employed on the terms and conditions (including compensation or severance) comparable, in the aggregate, to the terms and conditions on which they are currently employed.

- (b) In the event that any employee of Monterey is not continued as a Continuing Employee by Pengrowth, a subsidiary of Pengrowth or Monterey, as applicable, and such employee is thereby entitled to a severance payment as provided for in the employee's employment or other agreement (all of which agreements have been provided to Pengrowth) or otherwise under Applicable Law or, with the consent of Pengrowth, acting reasonably, as determined by Monterey prior to the Effective Date, the Parties agree that the amount of such severance payment shall not be less than the amount provided for in the employee's employment or other agreement or as required by Applicable Law. All severance or similar payments to employees, directors and officers of Monterey shall be made by Monterey on the Effective Date or as soon as practicable thereafter.
- (c) Monterey will use its commercially reasonable efforts to cause each of REDACTED – names of individuals (the "**Key Employees**") to agree to remain as an employee of Monterey, or to become a consultant of Pengrowth or a subsidiary thereof, on a full time basis for a term of not less than 4 months from the Effective Date and to cause each Key Employee to enter into an employment agreement with Monterey or a consulting agreement with Pengrowth Corporation, in each case on terms acceptable to Pengrowth, acting reasonably.
- (d) Each Key Employee shall be entitled to a retention bonus in the amount set out in the Disclosure Letter (a "**Retention Bonus**"), which Retention Bonus will be paid on the date that is 4 months after the Effective Date provided that the Key Employee remains as an employee or consultant of Pengrowth or a subsidiary of Pengrowth or Monterey on the date of payment.
- (e) Pengrowth shall be responsible for preparing all Form T4s for employees of Monterey for the 2010 taxation year and attending to all required filings and mailings of such T4s.

2.6 Monterey Options

The Parties agree that the Monterey Board of Directors may approve the vesting of all outstanding Monterey Options (other than Monterey Options held by persons who are not directors, officers or employees of Monterey on the date hereof and which will otherwise terminate prior to the Effective Date (unless otherwise agreed to in writing by Pengrowth Corporation or Monterey)) effective before the Effective Date and conditional upon the subsequent consummation of the Arrangement (or, if required, amend any outstanding Monterey Options to accelerate the vesting of such Monterey Options effective before the Effective Date and conditional upon the subsequent consummation of the Arrangement) of such Monterey Options) in order that all such outstanding Monterey Options shall be fully vested and will be either exercised before the Effective Time in accordance with their terms or tendered in exchange for Pengrowth Trust Units or Pengrowth Exchangeable Shares in accordance with the Arrangement. The Disclosure Letter includes a list of all Monterey Options outstanding on the date hereof.

2.7 Effective Date

The Arrangement shall become effective at the Effective Time on the Effective Date.

2.8 Recommendation of Monterey Board of Directors

The Monterey Board of Directors has unanimously determined that the Arrangement is in the best interests of Monterey and the Monterey Securityholders, and has, based upon, among other things, the verbal Cormark Fairness Opinion, unanimously determined that the Arrangement is fair, from a financial point of view, to

Monterey Shareholders, unanimously approved the Arrangement and the entering into of the Arrangement Agreement and has resolved unanimously to recommend Monterey Securityholders vote in favour of the Arrangement (except in each case for the abstention of Mr. Christopher Webster, as a director of Monterey and a senior officer of Pengrowth Corporation). Notice of such approvals, determinations and resolution shall, subject to the terms hereof, be included, along with the written Cormark Fairness Opinion, confirming the aforementioned opinion of Cormark, in the Information Circular.

2.9 Dissenting Securityholders

Registered Monterey Securityholders entitled to vote at the Monterey Meeting may exercise Dissent Rights with respect to their Monterey Securities in connection with the Arrangement pursuant to and in the manner set forth in the Plan of Arrangement. Monterey shall give Pengrowth prompt notice of any written notice of a dissent, withdrawal of such notice, and any other instruments served pursuant to such Dissent Rights and received by Monterey and promptly provide Pengrowth with copies of such notices and written objections and all other correspondence related thereto.

2.10 Tax Withholdings

Pengrowth and Pengrowth Corporation shall be entitled to deduct and withhold from any amount otherwise payable to any Monterey Securityholder and, for greater certainty, from any amount payable to a Monterey Securityholder who has validly exercised, and not withdrawn, Dissent Rights, as the case may be, under the Plan of Arrangement such amounts as Pengrowth or Pengrowth Corporation are required or reasonably believed to be required to deduct and withhold from such consideration in accordance with applicable tax laws. Any such amounts will be deducted and withheld from the consideration payable pursuant to the Plan of Arrangement and shall be treated for all purposes as having been paid to the Monterey Securityholder in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate Taxing Authority.

2.11 Disclosure Letter

The inclusion of any item in the Disclosure Letter shall not be construed as an admission by Monterey of the materiality of such item.

2.12 Lock-up Agreements

Monterey shall, concurrent with the signing of this Agreement, deliver to Pengrowth Lock-up Agreements which have been executed by Monterey Shareholders holding or exercising control or direction over not less than 6.0 million Monterey Common Shares (including all officers, directors and key employees).

ARTICLE 3 COVENANTS

3.1 Covenants of Pengrowth and Pengrowth Corporation

Each of Pengrowth and Pengrowth Corporation covenant and agree that, from the date of this Agreement until the Effective Date or termination of this Agreement, except with the prior written consent of Monterey (such consent not to be unreasonably withheld or delayed), and except as otherwise expressly permitted or specifically contemplated by this Agreement (including the Plan of Arrangement) or required by Applicable Laws:

- (a) Pengrowth and Pengrowth Corporation will use their reasonable commercial efforts to satisfy or cause the satisfaction of the conditions set forth in Section 5.1 and Section 5.3 as soon as reasonably practicable, to the extent the fulfillment of the same is within the control of Pengrowth or Pengrowth Corporation, as the case may be;

- (b) each of Pengrowth and Pengrowth Corporation will forthwith carry out the terms of the Interim Order and the Final Order to the extent applicable to it and will use its reasonable commercial efforts to assist Monterey in obtaining such orders and to carry out the intent or effect of this Agreement and the Arrangement;
- (c) Pengrowth and Pengrowth Corporation will make all necessary filings and applications under Applicable Laws required on the part of Pengrowth or Pengrowth Corporation, as the case may be, in connection with the transactions contemplated herein and take all reasonable action necessary to be in compliance with such Applicable Laws including, without limitation, application to the TSX and NYSE for the approval of the issuance and listing of the Pengrowth Trust Units issuable to Monterey Securityholders pursuant to the Arrangement as well as the issuance and listing of Pengrowth Trust Units in accordance with the terms and conditions of the Pengrowth Exchangeable Shares;
- (d) neither Pengrowth nor Pengrowth Corporation shall take any action, refrain from taking any action, or permit any action to be taken or not taken, inconsistent with this Agreement, which might directly or indirectly interfere with or affect the consummation of the Arrangement in accordance with the terms and conditions herein;
- (e) it will assist Monterey in the preparation of the Information Circular and provide to Monterey in a timely and expeditious manner Pengrowth Information as reasonably requested by Monterey or as required by the Interim Order or Applicable Laws for inclusion in the Information Circular, complying in all material respects with all Applicable Laws on the date of mailing thereof and ensure that Pengrowth Information does not contain any Misrepresentation;
- (f) in a timely and expeditious manner, it will cooperate with Monterey in the preparation of any amendments or supplements to the Information Circular reasonably required by Monterey or otherwise required by Applicable Laws;
- (g) the business of Pengrowth and of its subsidiaries shall be conducted only in, and Pengrowth and its subsidiaries shall not take any action except in, the usual and ordinary course of business consistent with past practices and it shall use all commercially reasonable efforts to maintain and preserve its and its subsidiaries business, assets and business relationships, provided that this Section 3.1(g) shall not restrict Pengrowth or any subsidiary of Pengrowth from entering into or performing any contract, agreement, commitment or arrangement with respect to the acquisition or disposition of, or resolving to acquire or dispose of, any oil and/or natural gas assets, properties or related assets or of securities or any person engaged in the oil and/or natural gas and/or related business in any manner, or conducting any financing activities in any manner, or taking any action that is not in the usual and ordinary course or that is not consistent with past practices, provided that the doing of any such thing does not have a Material Adverse Effect on Pengrowth and Pengrowth Corporation, taken as a whole;
- (h) Pengrowth shall use its reasonable commercial efforts to cause its current insurance (or re-insurance) policies for Pengrowth and any of its subsidiaries not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance or re-insurance companies of nationally recognized standing providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect, and Pengrowth or its subsidiaries, will pay all premiums in respect of such insurance policies that become due after the date hereof;
- (i) Pengrowth and Pengrowth Corporation shall not take any action, refrain from taking any action, or permit any action to be taken that would render, or may reasonably be expected to render, any representation or warranty made by it in this Agreement untrue in any material respect at any time prior to the Effective Date or termination of this Agreement, whichever first occurs;
- (j) Pengrowth shall promptly notify Monterey in writing of any Material Adverse Change with respect to Pengrowth or of any change in any representation or warranty provided by Pengrowth or Pengrowth Corporation in this Agreement which change is or may be of such a nature as to render any representation

or warranty misleading or untrue in any material respect and Pengrowth shall in good faith discuss with Monterey any such change in circumstances (actual, anticipated, contemplated, or to the knowledge of Pengrowth, threatened) which is of such a nature that there may be a reasonable question as to whether notice need be given to Monterey pursuant to this provision;

- (k) Pengrowth shall promptly advise Monterey in writing of any material breach by Pengrowth or Pengrowth Corporation of any covenant, obligation or agreement contained in this Agreement;
- (l) Pengrowth and Pengrowth Corporation shall jointly and severally indemnify and save harmless Monterey, its subsidiaries and their respective directors, officers, employees, advisors and agents from and against any and all liabilities, claims, demands, losses, costs, damages and expenses (excluding any loss of profits or consequential damages) to which Monterey, its subsidiaries and their respective directors, officers, employees, advisors or agents may be subject or which Monterey and its respective directors, officers, employees, advisors or agents may suffer, whether under the provisions of any statute or otherwise, in any way caused by, or arising, directly or indirectly, from or in consequence of:
 - (i) any Misrepresentation or alleged Misrepresentation contained solely in the Pengrowth Information included in the Information Circular or in any material filed by or on behalf of Pengrowth in compliance with or intended compliance with any Applicable Laws;
 - (ii) any order made or any inquiry, investigation or proceeding by any securities commission or other competent authority based upon any untrue statement or omission or alleged untrue statement or omission of a Material Fact or any Misrepresentation or any alleged Misrepresentation in any material filed by or on behalf of Pengrowth or Pengrowth Corporation in compliance or intended compliance with Applicable Canadian Securities Law which prevents or restricts the trading in the Pengrowth Trust Units or the Pengrowth Exchangeable Shares; and
 - (iii) Pengrowth or Pengrowth Corporation not complying with any requirement of Applicable Laws in connection with the transactions contemplated in this Agreement;

except that neither Pengrowth nor Pengrowth Corporation shall be liable in any such case to the extent that any such liabilities, claims, demands, losses, costs, damages and expenses arise out of or are based upon any Misrepresentation or alleged Misrepresentation based on the Monterey Information, the negligence of Monterey or the non-compliance by Monterey with any requirement of Applicable Laws in connection with the transactions contemplated in this Agreement;

- (m) except for non-substantive communications with third parties and communications to legal and other advisors of Pengrowth, Pengrowth and Pengrowth Corporation will furnish promptly to Monterey: (i) a copy of each notice, report, schedule or other document delivered, filed or received by Pengrowth or Pengrowth Corporation in connection with the Arrangement from any Governmental Authority; (ii) any filings under Applicable Laws in connection with the Arrangement; and (iii) any documents related to dealings with Governmental Authorities in connection with the transactions contemplated herein;
- (n) Pengrowth and Pengrowth Corporation shall use its reasonable commercial efforts to obtain and maintain the Third Party Approvals applicable to either of them and provide the same to Monterey on or prior to the Effective Date;
- (o) Pengrowth and Pengrowth Corporation will provide Monterey with all information and documentation reasonably requested by them in connection with obtaining the Third Party Approvals applicable to them;
- (p) Pengrowth and Pengrowth Corporation shall take all commercially reasonable actions to give effect to the transactions contemplated by this Agreement and the Plan of Arrangement; and
- (q) Pengrowth agrees that if it acquires the Monterey Common Shares pursuant to the Arrangement it shall cause Monterey to fulfil its obligations: (a) pursuant to indemnities provided or available to past and

present officers and directors of Monterey or of any corporation of which Monterey is or was a shareholder or creditor and who are serving or did serve at Monterey's request, (b) pursuant to the provisions of the Monterey constating documents, (c) under the ABCA, and (d) pursuant to written indemnity agreements, copies of which were provided to Pengrowth prior to the date hereof, which have been entered into between Monterey and its current officers and directors. Pengrowth Corporation further unconditionally and irrevocably covenants and agrees to be jointly and severally liable with Monterey for the performance of this covenant following the Effective Date.

3.2 Additional Covenants of Pengrowth and Pengrowth Corporation

Pengrowth and Pengrowth Corporation further covenant and agree that:

- (a) Monterey shall be permitted to secure directors' and officers' liability insurance for the current directors and officers of Monterey on a "trailing" (or "run-off") basis for a period of six years after the Effective Date. If a trailing policy is not available at a reasonable cost, Pengrowth shall cause Monterey to maintain in effect the current policies of directors' and officers' liability insurance maintained by Monterey (it being understood and agreed that Pengrowth may substitute therefore policies providing at least the same coverage (including amounts and deductibles), provided the terms and conditions of such substituted policies are not materially less advantageous to the insured) with respect to claims arising from facts or events which occur on or before the Effective Date. Pengrowth agrees to not take any action to terminate or otherwise adversely affect such directors' and officers' insurance; and
- (b) Pengrowth shall make adequate arrangements for the repayment of the amount outstanding under the Monterey Credit Facility on the Effective Date; and
- (c) pursuant to the proposed conversion of Pengrowth to a corporate entity, which is expected to occur on or about January 1, 2011, holders of the Exchangeable Shares which are issued pursuant to the Arrangement will be required to, subject to any changes to applicable Tax laws subsequent to the date hereof which would prevent Pengrowth from being able to do so, exchange such Exchangeable Shares into common shares of the continuing corporate entity on a "tax free rollover" basis.

3.3 Covenants of Monterey

Monterey covenants and agrees that, from the date of this Agreement until the Effective Date or termination of this Agreement, except with the prior written consent of Pengrowth (such consent not to be unreasonably withheld or delayed), and except as otherwise expressly permitted or specifically contemplated by this Agreement (including the Plan of Arrangement) or required by Applicable Laws:

- (a) Monterey will use its reasonable commercial efforts to satisfy or cause the satisfaction of the conditions set forth in Sections 5.1 and 5.2 as soon as practicable, to the extent the satisfaction of the same is within the control of Monterey;
- (b) Monterey will forthwith carry out the terms of the Interim Order and the Final Order to the extent applicable to it;
- (c) Monterey will make all necessary filings and applications under Applicable Laws, including Applicable Canadian Securities Laws and U.S. Securities Laws, if applicable, required to be made on the part of Monterey in connection with the transactions contemplated herein and shall take all reasonable action necessary to be in compliance with such Applicable Laws;
- (d) Monterey will not take any action, refrain from taking any action, or permit any action to be taken or not taken, inconsistent with this Agreement, which might directly or indirectly interfere with or affect the consummation of the Arrangement and the transactions contemplated hereby;

- (e) the business of Monterey shall be conducted only in, and Monterey shall not take any action except in, the usual and ordinary course of business consistent with past practices (for greater certainty, where it is an operator of any property, it shall operate and maintain such property in a proper and prudent manner in accordance with good industry practice and the agreements governing the ownership and operation of such property), Monterey shall not, without the prior written consent of Pengrowth, materially deviate from Monterey's budget as disclosed in the Disclosure Letter and it shall use all commercially reasonable efforts to maintain and preserve its business, assets and business relationships;
- (f) except as contemplated by this Agreement or the Arrangement, Monterey shall not, directly or indirectly do, or permit to occur, any of the following:
 - (i) amend its constating documents;
 - (ii) issue, grant, sell or pledge or agree to issue, grant, sell or pledge any Monterey Common Shares or other securities of Monterey (other than to Monterey), including, without limitation, securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, Monterey Common Shares (other than the issuance of Monterey Common Shares pursuant to the exercise of Monterey Options outstanding on the date hereof in accordance with their terms);
 - (iii) subject to this Agreement with regard to the Monterey Options, redeem, purchase or otherwise acquire any of the outstanding Monterey Common Shares or other securities;
 - (iv) amend the terms of any of its securities, including the Monterey Options, other than to accelerate the vesting of any unvested Monterey Options;
 - (v) split, combine or reclassify any of the Monterey Common Shares;
 - (vi) adopt a plan of liquidation or resolutions providing for the liquidation, dissolution, merger, consolidation or reorganization of Monterey or any; or
 - (vii) enter into or modify any contract, agreement, commitment or arrangement with respect to any of the foregoing;
- (g) except as contemplated by this Agreement or the Arrangement, Monterey shall not, without the prior written consent of Pengrowth, directly or indirectly, do or permit to occur any of the following:
 - (i) sell, pledge, lease, exclusively license, transfer, dispose of or encumber any assets, having an individual value in excess of REDACTED – dollar amount or REDACTED – dollar amount in the aggregate and other than production in the ordinary course of Monterey's business consistent with past practice;
 - (ii) expend or commit to expend more than REDACTED – dollar amount or REDACTED – dollar amount in the aggregate with respect to any capital expenditures except as contemplated by Monterey's budget as disclosed in the Disclosure Letter or expend or commit to expend more than \$50,000 or \$100,000 in the aggregate with respect to any capital expenditures;
 - (iii) expend or commit to expend any amounts in the aggregate with respect to any operating expenses except to the extent such expenses are in the ordinary course of Monterey's business consistent with past practice;
 - (iv) reorganize, amalgamate, merge or otherwise combine Monterey with any other Person;
 - (v) acquire (by merger, amalgamation, consolidation or acquisition of shares or assets) any corporation, partnership or other business organization or division thereof which is not a

subsidiary or affiliate of Monterey as of the date hereof, or make any investment therein either by purchase of shares or securities, contributions of capital or property transfer;

- (vi) acquire any assets;
 - (vii) incur, extend, renew or replace any indebtedness for borrowed money, or any other material liability or obligation or issue any debt securities or assume, guarantee, endorse or otherwise become responsible for, the obligations of any other individual or Person, or make any loans or advances, other than in respect of fees payable to legal, financial and other advisors in the ordinary course of business consistent with past practice or that are disclosed in the Disclosure Letter;
 - (viii) pay, settle, discharge or satisfy any material claims, liabilities, litigation, lawsuits, arbitrations, proceedings or obligations other than as reflected or reserved against in the Monterey Financial Statements or otherwise in the ordinary course of business consistent with past practice;
 - (ix) authorize, recommend or propose any release or relinquishment of any right under any material contract;
 - (x) waive, release, grant or transfer any material rights of value or modify or change in any material respect any existing license, lease, contract, production sharing agreement, government land concession or other material document;
 - (xi) enter into or terminate any hedges, swaps or other financial instruments or like transactions;
 - (xii) enter into any agreements for the sale of production having a term of more than thirty (30) days;
 - (xiii) enter into any material consulting contract or operating agreement that (A) cannot be terminated on thirty (30) days or less notice without penalty or (B) alone, or in the aggregate with any other consulting contract or operating agreements, would create an obligation in excess of REDACTED – dollar amount;
 - (xiv) enter into any contracts or transactions with any employee, officer or director of Monterey; or
 - (xv) authorize or propose any of the foregoing, or enter into or modify any contract, agreement, commitment or arrangement to do any of the foregoing;
- (h) Monterey shall not make any payment to any employee, officer or director outside of their ordinary and usual compensation for services provided, except to the extent that any such entitlement to payment to a former employee or officer has accrued prior to the date hereof and is disclosed in the Disclosure Letter and except for Monterey Change of Control Payments;
- (i) Monterey shall not:
- (i) grant any officer, director or employee or consultant an increase in compensation in any form except as described in Section 3.3(h) above;
 - (ii) grant any general salary increase;
 - (iii) take any action with respect to the amendment or grant of any "change of control", severance or termination pay policies or arrangements for any directors, officers or employees;
 - (iv) amend (other than to permit accelerated vesting of currently outstanding Monterey Options) any incentive plan or the terms of any outstanding rights thereunder; nor
 - (v) advance any loan to any officer, director or any other party not at arm's length to Monterey;

- (j) except so as to permit the acceleration of the vesting and exercise of Monterey Options pursuant to the Monterey Option Plan in connection with this Agreement, Monterey shall not adopt or amend or make any contribution to any bonus, employee benefit plan, profit sharing, option, common share, deferred compensation, insurance, incentive compensation, other compensation or other similar plan (or amend any outstanding rights thereunder), agreement, common share incentive or purchase plan, fund or arrangement for the benefit of directors, officers, employees or consultants, except as is necessary to comply with Applicable Laws or with respect to existing provisions of any such plans, programs, arrangements or agreements and except as described in Section 3.3(i) above;
- (k) Monterey shall not make any amendment to outstanding Monterey Options without the prior written consent of Pengrowth other than as may be required to accommodate the treatment of Monterey Options as contemplated by Section 2.6;
- (l) Monterey shall withhold from any payment made to any of its present or former employees, officers or directors in respect of any payments contemplated by this Agreement all amounts required by law or administrative practice to be withheld by it on account of Taxes and other source deductions;
- (m) Monterey shall use its reasonable commercial efforts to cause its current insurance (or re-insurance) policies for Monterey not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance or re-insurance companies of nationally recognized standing satisfactory to Pengrowth providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect, and Monterey will pay all premiums in respect of such insurance policies that become due after the date hereof;
- (n) Monterey shall receive and deliver to Pengrowth resignations and mutual releases, in form satisfactory to Pengrowth and Monterey, each acting reasonably, from all of the directors and officers of Monterey (effective as of the Effective Time);
- (o) Monterey shall not take any action, refrain from taking any action, or permit any action to be taken that would render, or may reasonably be expected to render, any representation or warranty made by it in this Agreement untrue in any material respect at any time prior to the Effective Date or termination of this Agreement, whichever first occurs;
- (p) Monterey shall promptly notify Pengrowth in writing of any Material Adverse Change with respect to Monterey or of any change in any representation or warranty provided by Monterey in this Agreement which change is or may be of such a nature as to render any representation or warranty misleading or untrue in any material respect and Monterey shall in good faith discuss with Pengrowth any such change in circumstances (actual, anticipated, contemplated, or to the knowledge of Monterey, threatened) which is of such a nature that there may be a reasonable question as to whether notice need be given to Pengrowth pursuant to this provision;
- (q) Monterey shall promptly advise Pengrowth in writing of any material breach by Monterey of any covenant, obligation or agreement contained in this Agreement;
- (r) Monterey shall use its reasonable commercial efforts to obtain and maintain the Third Party Approvals applicable to either of them and provide the same to Pengrowth and Pengrowth Corporation on or prior to the Effective Date;
- (s) Monterey will provide Pengrowth and Pengrowth Corporation with all information and documentation reasonably requested in connection with obtaining the Third Party Approvals applicable to them;
- (t) Monterey shall use its commercially reasonable efforts to cause the Valuator to complete the Valuation and provide a copy thereof to Pengrowth no later than July 21, 2010 or five Business Days prior to the Mailing Date, whichever is later;

- (u) Subject to compliance by Pengrowth with subsection 3.1(e), Monterey shall ensure that the Information Circular complies with Applicable Laws and, without limiting the generality of the foregoing, that the Information Circular will not contain a Misrepresentation and provides Monterey Securityholders with information in sufficient detail to permit them to form a reasoned judgment concerning the matters before them, and, in that regard, the Information Circular will set out the Pengrowth Information in the form approved by Pengrowth and the Monterey Information in the form approved by Monterey and shall include, without limitation:
- (i) any financial statements in respect of prior acquisitions made by Monterey or that are otherwise required to be included therein in accordance with Applicable Laws;
 - (ii) the unanimous determination of the Monterey Board of Directors that the Arrangement is fair to Monterey Shareholders and is in the best interests of Monterey and Monterey Shareholders, and include the unanimous recommendation of the Monterey Board of Directors that the Monterey Securityholders vote in favour of the Arrangement Resolution (except in each case for the abstention of Mr. Christopher Webster, as a director of Monterey and a senior officer of Pengrowth Corporation); provided that, notwithstanding the covenants of Monterey in this subsection, prior to the completion of the Arrangement, the Monterey Board of Directors may withdraw, modify or change the recommendation regarding the Arrangement if, in the opinion of such board of directors acting reasonably, having received the advice of its outside legal counsel which is reflected in minutes of the meeting of the Monterey Board of Directors, such withdrawal, modification or change is required to act in a manner consistent with the fiduciary duties of the Monterey Board of Directors and, if applicable, provided the Monterey Board of Directors shall have complied with the provisions of Sections 3.5 and 6.1;
 - (iii) the written Cormark Fairness Opinion; and
 - (iv) the Valuation (or a summary thereof in compliance with MI 61-101);
- (v) Pengrowth and its legal counsel shall be given a reasonable opportunity to review and comment on drafts of the Information Circular and other documents related thereto, and reasonable consideration shall be given to any comments made by Pengrowth and its counsel, provided that all Pengrowth Information included in the Information Circular shall be in form and content satisfactory to Pengrowth, acting reasonably;
- (w) Monterey shall provide notice to Pengrowth of the Monterey Meeting and allow Pengrowth's representatives and legal counsel to attend such Monterey Meeting;
- (x) Monterey shall indemnify and save harmless Pengrowth, its affiliates and subsidiaries and their respective directors, officers, employees, advisors and agents from and against any and all liabilities, claims, demands, losses, costs, damages and expenses (excluding any loss of profits or consequential damages) to which Pengrowth, its affiliates or subsidiaries or their respective directors, officers, employees, advisors or agents may be subject or which Pengrowth, its affiliates or subsidiaries or their respective directors, officers, employees, advisors or agents may suffer, whether under the provisions of any statute or otherwise, in any way caused by, or arising, directly or indirectly, from or in consequence of:
- (i) any Misrepresentation or alleged Misrepresentation in the Monterey Information included in the Information Circular or in any material filed by Monterey in compliance or intended compliance with any Applicable Laws;
 - (ii) any order made or any inquiry, investigation or proceeding by any securities commission or other competent authority based upon any untrue statement or omission or alleged untrue statement or omission of a Material Fact or any Misrepresentation or any alleged Misrepresentation in the Monterey Information included in the Information Circular or in any material filed by or on behalf of Monterey in compliance or intended compliance with Applicable Canadian Securities Laws, which prevents or restricts the trading in the Monterey Common Shares; and

- (iii) Monterey not complying with any requirement of Applicable Laws in connection with the transactions contemplated in this Agreement;

except that Monterey shall not be liable in any such case to the extent that any such liabilities, claims, demands, losses, costs, damages and expenses arise out of or are based upon any Misrepresentation or alleged Misrepresentation of a material fact based solely on the Pengrowth Information included in the Information Circular, the negligence of Pengrowth or the non-compliance by Pengrowth with any requirement of Applicable Laws in connection with the transactions contemplated by this Agreement;

- (y) except for proxies and other non-substantive communications with securityholders, Monterey will furnish promptly to Pengrowth or Pengrowth's counsel, a copy of each notice, report, schedule or other document delivered, filed or received by Monterey in connection with: (i) the Arrangement; (ii) the Monterey Meeting; (iii) any filings under Applicable Laws; and (iv) any dealings with Governmental Authorities in connection with the transactions contemplated hereby;
- (z) management of Monterey shall solicit proxies to be voted at the Monterey Meeting in favour of matters to be considered at the Monterey Meeting, including the Arrangement Resolution, but shall not be required to hire a proxy solicitation agent;
- (aa) Monterey shall conduct the Monterey Meeting in accordance with the by-laws of Monterey, the ABCA, Applicable Canadian Securities Laws and any instrument governing the Monterey Meeting (including, without limitation, the Interim Order), as applicable, and as otherwise required by Applicable Laws;
- (bb) Monterey will take all commercially reasonable actions to give effect to the transactions contemplated by this Agreement and the Plan of Arrangement;
- (cc) Monterey shall promptly advise Pengrowth of the number of Monterey Securities for which Monterey receives notices of dissent or written objections to the Arrangement and provide Pengrowth with copies of such notices and written objections, and subject to Applicable Laws, shall provide Pengrowth with an opportunity to review and comment upon any written communications proposed to be sent by or on behalf of Monterey to any Monterey Securityholder exercising or purporting to exercise Dissent Rights in relation to the Arrangement Resolution and reasonable consideration shall be given to any comments made by Pengrowth and its counsel prior to sending any such written communications. Monterey shall not settle any claims with respect to Dissent Rights without the prior written consent of Pengrowth (which consent may be withheld in Pengrowth's sole and absolute discretion);
- (dd) Monterey shall:
 - (i) duly and on a timely basis file all Tax Returns required to be filed by it on or after the date hereof and on or prior to the Effective Date, including the Tax Return in respect of the year ended December 31, 2009, and all such Tax Returns will be true, complete and correct in all material respects, provided that prior to filing any Tax Returns, Monterey shall provide a copy of such Tax Returns to Pengrowth and obtain Pengrowth's consent to such filing, not to be unreasonably withheld;
 - (ii) timely pay all Taxes shown on such Tax Returns;
 - (iii) not make or rescind any material express or deemed election relating to Taxes, or file any amended Tax Returns where the result of such action is inconsistent with past practice;
 - (iv) not make a request for a Tax ruling or enter into a closing agreement with any Governmental Authority;
 - (v) without the prior written consent of Pengrowth, not settle any claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to a material amount of Taxes;

- (vi) not make any changes in financial or Tax accounting methods, principles, policies or practices, except as required by GAAP or under Applicable Laws; and
- (vii) properly reserve (and reflect such reserves in its books and records and financial statements) in accordance with GAAP, for all Taxes accruing in respect of Monterey which are not due or payable prior to the Effective Date;
- (ee) Monterey shall not make any Tax filings outside the ordinary course of business, including making, amending or rescinding any Tax Return, election or designation;
- (ff) Monterey shall take reasonable commercial actions to ensure that the representations and warranties in respect of the Monterey Transaction Costs are true and correct at the Effective Date;
- (gg) Monterey shall cooperate with Pengrowth to permit Pengrowth to comply with Section 3.2(b); and
- (hh) provided that it has been provided funds by Pengrowth to do so, Monterey shall repay the amount outstanding under the Monterey Credit Facility.

3.4 Mutual Covenants Regarding the Arrangement

From the date of this Agreement until the Effective Date or termination of this Agreement, each of Pengrowth and Monterey will use its reasonable commercial efforts to: (i) satisfy (or cause the satisfaction of) the conditions precedent to its obligations (and those of any of its subsidiaries) hereunder; (ii) not take, or cause to be taken, any action or cause anything to be done that would cause such obligations not to be fulfilled in a timely manner; and (iii) take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under Applicable Laws to complete the Arrangement, including using reasonable commercial efforts:

- (a) to obtain all necessary consents, assignments, waivers and amendments to or terminations of any agreements and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby;
- (b) to effect all necessary registrations, filings and submissions of information requested by Governmental Authorities required to be effected by it in connection with the Arrangement;
- (c) to oppose, lift or rescind any injunction or restraining or other order seeking to stop, or otherwise adversely affecting its ability to consummate, the Arrangement and to defend, or cause to be defended, any proceedings to which it is a party or brought against it or its directors or officers challenging this Agreement or the consummation of the transactions contemplated hereby; and
- (d) to reasonably cooperate with the other Party and its tax advisors in structuring the Arrangement in a tax effective manner, and assist the other Party and its tax advisors in making such investigations and inquiries with respect to such Party in that regard, as the other Party and its tax advisors shall consider necessary, acting reasonably, provided that such Party shall not be obligated to consent or agree to any structuring that has the effect of reducing the consideration to be received under the Arrangement.

Each of Pengrowth and Monterey will use its reasonable commercial efforts to cooperate with the other in connection with the performance by the other of their obligations under this Section 3.4 and this Agreement including, without limitation, continuing to provide reasonable access to information and to maintain ongoing communications as between officers of Pengrowth and Monterey, subject in all cases to the Confidentiality Agreement.

3.5 Covenants Regarding Non-Solicitation

- (a) Monterey shall immediately cease and cause to be terminated all existing discussions and negotiations (including, without limitation, through any advisors or other parties on its behalf), with any parties (other than Pengrowth) conducted before the date of this Agreement with respect to any proposal that constitutes, or may reasonably be expected to constitute or lead to an Acquisition Proposal. Monterey shall not modify or release any third party from any existing confidentiality agreement (including, for greater certainty, any existing standstill provisions). Monterey shall discontinue access to any of its confidential information (and not establish or allow access to any of its confidential information, or any data room, virtual or otherwise) and shall as soon as possible request, to the extent that it is entitled to do so and exercise all rights it has to require the return or destruction of all confidential information provided to any third parties who have entered into a confidentiality agreement with Monterey relating to an Acquisition Proposal and shall request (and exercise all rights to require) the destruction of all material including or incorporating or otherwise reflecting any material confidential information regarding Monterey and shall use all reasonable commercial efforts to ensure that such requests are honoured. Without limiting the foregoing, it is understood that any violation of the restrictions set forth in this Section 3.5(a) by Monterey or its officers, directors, employees, representatives and agents shall be deemed to be a breach of this Section 3.5(a) by Monterey.
- (b) Monterey shall not, directly or indirectly, do or authorize or permit any of its officers, directors or employees or any financial advisor, expert or other representative retained by it to do, any of the following:
- (i) solicit, assist, initiate, encourage or in any way facilitate (including by way of furnishing information, or entering into any form of written or oral agreement, arrangement or understanding) any Acquisition Proposal or inquiries, proposals or offers regarding an Acquisition Proposal;
 - (ii) enter into or participate in any discussions or negotiations regarding an Acquisition Proposal, or furnish to any other Person any information with respect to its businesses, properties, operations, prospects or conditions (financial or otherwise) in connection with an Acquisition Proposal or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt of any other Person to do or seek to do any of the foregoing;
 - (iii) waive, or otherwise forbear in the enforcement of, or enter into or participate in any discussions, negotiations or agreements to waive or otherwise forbear in respect of, any rights or other benefits under confidentiality information agreements, including, without limitation, any "standstill provisions" thereunder; or
 - (iv) accept, recommend, approve, agree to, endorse, or propose publicly to accept, recommend, approve, agree to, or endorse any Acquisition Proposal or agreement in respect thereto;

provided, however, that notwithstanding any other provision hereof, Monterey and its officers, directors and advisers may prior to the Monterey Meeting:

- (v) enter into or participate in any discussions or negotiations with a third party who (without any solicitation, initiation or encouragement, directly or indirectly, after the date of this Agreement, by Monterey or any of its officers, directors or employees or any legal or financial advisor, expert or other representative retained by it) seeks to initiate such discussions or negotiations with Monterey that does not result from a breach of this Section 3.5 and, subject to execution of a confidentiality and standstill agreement substantially similar to the Confidentiality Agreement (provided that such confidentiality agreement shall provide for disclosure thereof (along with all information provided thereunder) to Pengrowth as set out below), may furnish to such third party information concerning Monterey and its business, properties and assets, in each case if, and only to the extent that:

- (A) the third party has first made a written *bona fide* Acquisition Proposal which is a Superior Proposal; and
 - (B) prior to furnishing such information to or entering into or participating in any such discussions or negotiations with such third party, Monterey provides prompt notice to Pengrowth to the effect that it is furnishing information to or entering into or participating in discussions or negotiations with such Person together with a copy of the confidentiality agreement referenced above and, if not previously provided to Pengrowth, copies of all information provided to such third party concurrently with the provision of such information to such third party, and provided further that Monterey shall notify Pengrowth orally and in writing of any inquiries, offers or proposals with respect to a Superior Proposal (which written notice shall include, without limitation, a copy of any such proposal (and any amendments or supplements thereto), the identity of the Person making it, if not previously provided to Pengrowth, copies of all information provided to such party and all other information reasonably requested by Pengrowth), within 24 hours of the receipt thereof, shall keep Pengrowth informed of the status and details of any such inquiry, offer or proposal and answer Pengrowth's questions with respect thereto; and
- (vi) accept, recommend, approve or enter into an agreement to implement a Superior Proposal from a third party, but only if prior to such acceptance, recommendation, approval or implementation, the Monterey Board of Directors shall have concluded in good faith, after considering all proposals to adjust the terms and conditions of this Agreement as contemplated by Section 3.5(d) and after receiving the advice of outside counsel as reflected in minutes of the Monterey Board of Directors, that the taking of such action is necessary for the Monterey Board of Directors in discharge of its fiduciary duties under applicable laws and Monterey complies with its obligations set forth in Section 3.5(d) and terminates this Agreement in accordance with Section 8.1(a)(iv) and concurrently therewith pays the Pengrowth Termination Fee to Pengrowth.
- (c) Monterey shall promptly (and in any event within 24 hours) notify Pengrowth (at first orally and then in writing) of any Acquisition Proposal (or any amendment thereto) or any request for non-public information relating to Monterey, its assets, or any amendments to the foregoing. Such notice shall include a copy of any written Acquisition Proposal (and any amendment thereto) which has been received or, if no written Acquisition Proposal has been received, a description of the material terms and conditions of, and the identity of the Person making any inquiry, proposal, offer or request. Monterey shall also provide such further and other details of the Acquisition Proposal or any amendment thereto as Pengrowth may reasonably request. Monterey shall keep Pengrowth promptly and fully informed of the status, including any change to material terms, of any Acquisition Proposal or any amendment thereto, shall respond promptly to all inquiries by Pengrowth with respect thereto, and shall provide Pengrowth copies of all material correspondence and other written material sent to or provided to Monterey by any Person in connection with such inquiry, proposal, offer or request or sent or provided by Monterey to any Person in connection with such inquiry, proposal, offer or request.
- (d) Monterey shall give Pengrowth, orally and in writing, at least three (3) Business Days advance notice of any decision by the Monterey Board of Directors to accept, recommend, approve or enter into an agreement to implement a Superior Proposal, shall set out the Monterey Board of Directors' reasonable determination of the financial value of the consideration offered by such third party to Monterey Shareholders under such Superior Proposal, which notice shall confirm that the Monterey Board of Directors has determined that such Acquisition Proposal constitutes a Superior Proposal, shall identify the third party making the Superior Proposal and provide a copy thereof and any amendments thereto. During the three (3) Business Day period commencing on the delivery of such notice, Monterey agrees not to accept, recommend, approve or enter into any agreement to implement such Superior Proposal and not to release the party making the Superior Proposal from any standstill provisions and shall not withdraw, redefine, modify or change its recommendation in respect of the Arrangement. In addition, during such three (3) Business Day period Monterey shall, and shall cause its financial and legal advisors to, negotiate in good faith with Pengrowth and its financial and legal advisors to make such adjustments in the terms and conditions of this Agreement and the Arrangement as would enable Monterey to proceed with the Arrangement as amended

rather than the Superior Proposal. In the event Pengrowth proposes to amend this Agreement and the Arrangement such that the Superior Proposal ceases to be a Superior Proposal and so advises the Monterey Board prior to the expiry of such three (3) Business Day period, the Monterey Board of Directors shall not accept, recommend, approve or enter into any agreement to implement such Superior Proposal, shall not release the party making the Superior Proposal from any standstill provisions and shall not withdraw, redefine, modify or change its recommendation in respect of the Arrangement.

- (e) Monterey shall reaffirm its recommendation of the Arrangement by press release promptly and in any event within five Business Days of any written request to do so by Pengrowth (or, in the event that the Monterey Meeting to approve the Arrangement is scheduled to occur within such five Business Day period, prior to the scheduled date of such meeting) in the event that (i) any Acquisition Proposal which is publicly announced is determined not to be a Superior Proposal; or (ii) the Parties have entered into an amended agreement pursuant to Section 3.5(d) which results in any Acquisition Proposal not being a Superior Proposal.
- (f) Pengrowth agrees that all information that may be provided to it by Monterey with respect to any Acquisition Proposal pursuant to this Section 3.5 shall be treated as if it were "Confidential Information" as that term is defined in the Confidentiality Agreement and shall not be disclosed or used except in accordance with the provisions of the Confidentiality Agreement or in order to enforce its rights under this Agreement in legal proceedings.
- (g) Monterey and Pengrowth shall each ensure that their respective officers, directors and employees and any investment bankers or other advisers or representatives retained by it are aware of the provisions of this Section 3.5 and shall be responsible for any breach of this Section 3.5 by any of them.
- (h) Nothing in this agreement shall prevent the Monterey Board of Directors from complying with Section 2.17 of Multilateral Instrument 62-104 and similar provisions under Applicable Canadian Securities Laws relating to the provision of directors' circulars in respect of an Acquisition Proposal that is not a Superior Proposal but only following Monterey's compliance with Section 3.5(d).

3.6 Provision of Information; Access

Until the Effective Date or termination of this Agreement, Monterey shall provide Pengrowth and its representatives access, during normal business hours and at such other time or times as Pengrowth may reasonably request, to its premises (including field offices and sites), books, contracts, records, computer systems, properties, employees and management personnel and shall furnish to Pengrowth all information concerning its business, properties and personnel as Pengrowth may reasonably request, which information shall remain subject to the Confidentiality Agreement, in order to permit Pengrowth to be in a position to expeditiously and efficiently integrate the business and operations of Monterey immediately upon but not prior to the Effective Date. Without limitation, Monterey agrees to keep Pengrowth fully apprised in a timely manner of every circumstance, action, occurrence or event occurring or arising after the date hereof that would be relevant and material to a prudent operator of the business and operations of Monterey. Monterey shall confer with and obtain Pengrowth's approval (not to be unreasonably withheld or delayed), prior to taking action (other than in emergency situations) with respect to all operational matters involved in its business.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of Pengrowth

Pengrowth represents and warrants to and in favour of Monterey and acknowledges that Monterey is relying upon such representations and warranties in connection with the matters contemplated by this Agreement:

- (a) Pengrowth is a trust duly formed and organized and validly existing under the laws of the Province of Alberta and Pengrowth Corporation is a corporation duly incorporated and organized

and validly existing under the laws of Alberta and each has the requisite trust and corporate power and authority, respectively, to undertake its investment activities in the case of Pengrowth and to own its properties and conduct its business in the case of Pengrowth Corporation as such activities are or such business is now conducted or such property is now owned. Pengrowth and Pengrowth Corporation are each duly registered to do business and in good standing in each jurisdiction in which the character of their properties, owned or leased, or the nature of their activities make such registration necessary, except where the failure to be so registered or in good standing would not have a Material Adverse Effect on Pengrowth. Copies of the constating documents of the Pengrowth Parties provided to Monterey, together with all amendments to date, are accurate and complete as of the date hereof and have not been amended or superseded.

- (b) Pengrowth and Pengrowth Corporation have the requisite trust and corporate authority, respectively, to enter into this Agreement and all agreements contemplated hereunder and to carry out their respective obligations hereunder and thereunder. The execution and delivery of this Agreement and all agreements contemplated hereunder and the consummation by Pengrowth and Pengrowth Corporation of the transactions contemplated hereby and thereby have been duly authorized by the Pengrowth Board of Directors on Pengrowth Corporation's behalf and on behalf of Pengrowth and no other proceedings on their part are or will be necessary to authorize this Agreement or any agreements contemplated hereunder and the transactions contemplated hereby and thereby. This Agreement has been duly executed and delivered by Pengrowth and Pengrowth Corporation and all agreements contemplated hereunder have been or will be on or before the Effective Date duly executed and delivered by Pengrowth or Pengrowth Corporation and this Agreement and all agreements contemplated hereunder constitutes, or will by the Effective Date constitute, the legal, valid and binding obligation of Pengrowth and Pengrowth Corporation (if parties thereto) enforceable against them in accordance with their terms.
- (c) The information and statements set forth in the documents comprising the Pengrowth Public Record were true, correct and complete and did not contain a Misrepresentation, as of their respective dates, no material change has occurred in relation to Pengrowth which is not disclosed in such public record, and Pengrowth has not filed any confidential material change reports which continue to be confidential.
- (d) Except for the approvals required by Pengrowth in connection with this Agreement, neither the execution and delivery of this Agreement or any other agreements contemplated hereunder by Pengrowth or Pengrowth Corporation, the consummation of the transactions contemplated hereby and thereby nor compliance by Pengrowth or Pengrowth Corporation with any of the provisions hereof or thereof will: (i) violate, conflict with, or result in a breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in a creation of an Encumbrance upon any of the properties or assets of Pengrowth or Pengrowth Corporation or any of their respective subsidiaries under, any of the terms, conditions or provisions of (y) the constating documents of Pengrowth or Pengrowth Corporation or (z) any note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other material instrument or obligation to which Pengrowth or Pengrowth Corporation or any of their respective subsidiaries is a party or to which any of them, or any of their respective properties or assets, may be subject or by which Pengrowth or Pengrowth Corporation or any of their respective subsidiaries is bound; (ii) subject to compliance with the statutes and regulations referred to in subsection 4.1(e), violate any judgment, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to Pengrowth or Pengrowth Corporation or any of their respective subsidiaries (except, in the case of each of clauses (i) and (ii) in this subsection, for such violations, conflicts, breaches, defaults or terminations which, or any consents, approvals or notices which if not given or received, would not have any Material Adverse Effect on Pengrowth or on the ability of Pengrowth or Pengrowth Corporation to consummate the transactions contemplated hereby, including notice pursuant to the Investment Canada Act); or (iii) cause the suspension or revocation of any authorization, consent, approval or license currently in effect which would have a Material Adverse Effect on Pengrowth.

- (e) Except for the approvals contemplated in this Agreement and approvals that have been obtained and other than in connection with or in compliance with the provisions of Applicable Laws and any pre-merger notification statutes: (i) there is no legal impediment to Pengrowth's or Pengrowth Corporation's consummation of the transactions contemplated by this Agreement or any agreements contemplated hereunder; and (ii) no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is necessary by Pengrowth or Pengrowth Corporation in connection with the making of this Agreement or the consummation of the transactions contemplated by this Agreement or any agreement contemplated hereunder, except for such filings or registrations which, if not made, or for such authorizations, consents or approvals which, if not received, would not have a Material Adverse Effect on Pengrowth or significantly impede the ability of the Pengrowth Parties to consummate the transactions contemplated hereby.
- (f) As of the date hereof, Pengrowth is authorized to issue an unlimited number of Pengrowth Trust Units, class A trust units and special voting units and Pengrowth Corporation is authorized to issue an unlimited number of common shares, an unlimited number of Pengrowth Exchangeable Shares and an unlimited number of royalty units. As of the date hereof, 291,291,252 Pengrowth Trust Units, 888 class A trust units of Pengrowth, nil special voting units of Pengrowth, nil Pengrowth Exchangeable Shares, 1,100 common shares of Pengrowth Corporation and 138,673,552 royalty units of Pengrowth Corporation are issued and outstanding, and not more than 7,344,838 Pengrowth Trust Units are issuable pursuant to securities issued under the Pengrowth Trust Units rights incentive plan and deferred entitlement unit plan (before adjusting for satisfaction of performance criteria and notional investment of distributions). Except as set forth in the immediately preceding sentence and except for pursuant to this Agreement there are, as at the date hereof, no options, warrants or other rights, agreements or commitments of any character whatsoever requiring the issuance, sale or transfer by Pengrowth of any Pengrowth Trust Units or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire any Pengrowth Trust Units nor are there any outstanding unit appreciation rights, phantom equity or similar rights, agreements, arrangements or commitments based upon the book value, income or other attribute of Pengrowth. All outstanding Pengrowth Trust Units have been duly authorized and validly issued, are fully paid and non-assessable, and all Pengrowth Trust Units and Pengrowth Exchangeable Shares to be issued in connection with the Arrangement will be duly authorized and validly issued, fully paid and non-assessable.
- (g) All of the common shares of Pengrowth Corporation and royalty units of Pengrowth Corporation, as at the date hereof, are legally and beneficially owned by Pengrowth, free and clear of any and all Encumbrances (other than encumbrances granted in connection with Pengrowth Corporation's credit facilities) and demands of any nature or kind whatsoever. As of the date hereof there are no options, warrants or other rights, agreements or commitments of any character whatsoever requiring the issuance, sale or transfer by Pengrowth Corporation of any common shares or royalty units of or any securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any common shares or royalty units nor are there any outstanding stock appreciation rights, phantom equity or similar rights, agreements, arrangements or commitments based upon the book value, income or other attribute of Pengrowth Corporation. All outstanding Pengrowth Corporation common shares and royalty units have been duly authorized and validly issued, are fully paid and non-assessable.
- (h) Since December 31, 2009, there has not been any Material Adverse Change with respect to Pengrowth or Pengrowth Corporation.
- (i) To the best of the knowledge of Pengrowth and Pengrowth Corporation, all material data and information provided by Pengrowth and Pengrowth Corporation to Monterey and its agents and representatives is true and correct in all material respects.
- (j) The operations and business of the Pengrowth Parties is and has been carried out in compliance with and not in violation of any Applicable Laws, other than non-compliance or violation which

would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Pengrowth or would significantly impact the ability of the Pengrowth Parties to consummate the Arrangement, and Pengrowth has not received any notice of any alleged violation of any such Applicable Laws other than where such notice would not reasonably be expected to have a Material Adverse Effect on Pengrowth or would significantly impact the ability of the Pengrowth Parties to consummate the Arrangement.

- (k) There is no judgment, injunction or order binding upon the Pengrowth Parties that has or could reasonably be expected to have the effect of prohibiting, restricting or impairing its business or, individually or in the aggregate, have a Material Adverse Effect on Pengrowth.
- (l) Except as disclosed in the Pengrowth Public Record, there are no material Contracts or other transactions currently in place between the Pengrowth Parties, on the one hand, and (i) any officer or director of a member of Pengrowth, (ii) any holder of record or beneficial owner of 10% or more of the voting securities of Pengrowth or (iii) any affiliate of any such officer, director or beneficial owner, on the other hand.
- (m) Pengrowth has made available to Gilbert Laustsen Jung Associates Ltd. ("**GLJ**"), prior to the issuance of the report of GLJ dated February 5, 2010 with an effective date of December 31, 2009 evaluating the crude oil, natural gas liquids and natural gas reserves and future net production revenues attributable to the properties of Pengrowth (the "**Pengrowth Reserves Report**"), for the purpose of preparing the Pengrowth Reserves Report, all information requested by GLJ, which information did not contain a Misrepresentation at the time such information was provided. Except with respect to changes in the prices of oil and gas, Pengrowth has no knowledge of a material adverse change in any production, reserves or other relevant information provided to Pengrowth since the date that such information was provided. Pengrowth believes that the Pengrowth Reserves Report reasonably presents the quantity and pre-tax present worth values of the oil and natural gas reserves attributable to the crude oil, natural gas liquids and natural gas properties evaluated in such report as of its effective date based upon information available at the time such reserves information was prepared, and Pengrowth believes that, at the date of such report, such report did not (and as of the date hereof, except as may be attributable to production since the date of such report does not) overstate the aggregate quantity or pre-tax present worth values of such reserves or the estimated monthly production volumes therefrom.
- (n) The Pengrowth Financial Statements were prepared in accordance with GAAP (except (a) as otherwise indicated in such financial statements and the notes thereto or, in the case of audited statements, in the related report of Pengrowth's independent auditors or (b) in the case of unaudited interim statements, to the extent they may not include footnotes, are subject to normal year end adjustments or may be condensed or summary statements), and present fairly in accordance with GAAP the consolidated financial position, results of operations and changes in financial position of Pengrowth on a consolidated basis as of the dates thereof and for the periods indicated therein (subject, in the case of any unaudited interim financial statements, to normal year-end audit adjustments). There has been no material change in Pengrowth accounting policies, except as described in the notes to the Pengrowth Financial Statements and the accompanying management's discussion and analysis, since December 31, 2009.
- (o) None of the Pengrowth Parties or any of its subsidiaries has any material liabilities of any nature (matured or unmatured, fixed or contingent), other than:
 - (i) those set forth or adequately provided for in the most recent balance sheet and associated notes thereto included in the Pengrowth Financial Statements (for the purposes of this Section, the "**Pengrowth Balance Sheet**");
 - (ii) those incurred in the ordinary course of business and not required to be set forth in the Pengrowth Balance Sheet under GAAP;

- (iii) those incurred in the ordinary course of business since the date of the Pengrowth Balance Sheet and consistent with past practice; and
 - (iv) those incurred in connection with the execution of this Agreement.
- (p) There has not been any material change in the capital, assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of Pengrowth on a consolidated basis from the position set forth in the Pengrowth Financial Statements (other than as have been disclosed in the Pengrowth Public Record) and Pengrowth has not incurred or suffered a Material Adverse Change since December 31, 2009 and since that date there have been no material facts, transactions, events or occurrences which would have a Material Adverse Effect on the capital, assets, liabilities or obligations (absolute, accrued, contingent or otherwise), condition (financial or otherwise) or results of the operations of Pengrowth (taken as a whole) which have not been disclosed in the Pengrowth Public Record.
- (q) The Pengrowth Parties are not in default under, and there exists no event, condition or occurrence which, after notice or lapse of time or both, would constitute such a default under any contract, agreement or licence to which it is a party or by which it is bound which would, if terminated or upon exercise of a right made available to a third party solely by a reason of such a default due to such default, individually or in the aggregate, be material to Pengrowth. The Pengrowth Parties are not in violation of any Applicable Laws which violation could be material to Pengrowth.
- (r) Pengrowth is a "reporting issuer", or the equivalent thereof, in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and is in material compliance with all Applicable Canadian Securities Laws. The Pengrowth Trust Units are registered pursuant to Section 12 of the *U.S. Exchange Act*. Pengrowth is in material compliance with all applicable U.S. Securities Laws, including the applicable provisions of the *Sarbanes Oxley Act of 2002*. The Pengrowth Trust Units are listed and posted for trading on the TSX and the NYSE and Pengrowth is in material compliance with the rules of the TSX and the NYSE.
- (s) No order, ruling or determination having the effect of suspending the sale of, or ceasing the trading of, the Pengrowth Trust Units or any other securities of Pengrowth or Pengrowth Corporation has been issued by any Governmental Authority and is continuing in effect and no proceedings for that purpose have been instituted, are pending or, to the knowledge of Pengrowth, are contemplated or threatened under any Applicable Laws or by any Governmental Authority.
- (t) Pengrowth has no material subsidiaries other than Pengrowth Corporation, and other than Pengrowth Corporation, Pengrowth Holdings Trust and Esprit Energy Trust, Pengrowth has no subsidiaries.
- (u) The trust and corporate records and minute books, as applicable, of Pengrowth and Pengrowth Corporation have been maintained in accordance with all applicable statutory requirements and are complete and accurate in all material respects.
- (v) Pengrowth does not have any knowledge of any outstanding rights of first refusal or other pre-emptive rights of purchase which entitle any person to acquire any of the rights, title, interests, property, licenses or assets of the Pengrowth Parties that will be triggered or accelerated by the Arrangement, which would have a Material Adverse Effect on Pengrowth.
- (w) Except to the extent that violations or other matters referred to in this subparagraph do not have a Material Adverse Effect on Pengrowth:
- (i) Pengrowth is not in violation of any applicable Environmental Laws;

- (ii) the Pengrowth Parties have operated their business at all times and have received, handled, used, stored, treated, shipped and disposed of all Hazardous Substances in compliance with Environmental Laws;
 - (iii) there have been no spills, releases, deposits or discharges of Hazardous Substances, or wastes into the earth, subsoil, underground waters, air or into any body of water or any municipal or other sewer or drain water systems by the Pengrowth Parties, or on or underneath any location which is or was currently or formerly owned, leased or otherwise operated by the Pengrowth Parties, that have not been fully remediated;
 - (iv) no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of the Pengrowth Parties which the Pengrowth Parties have notice;
 - (v) the Pengrowth Parties have not failed to report to the proper Governmental Authority the occurrence of any event which is required to be so reported by any Environmental Law;
 - (vi) the Pengrowth Parties hold all Environmental Approvals required in connection with the operation of their business and the ownership and use of such assets, all Environmental Approvals are in full force and effect, and the Pengrowth Parties have not received any notification pursuant to any Environmental Laws that any work, repairs, constructions or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws or Environmental Approvals, or that any Environmental Approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated;
 - (vii) there are no pending or, to the knowledge of Pengrowth, threatened claims, liens or encumbrances resulting from Environmental Laws with respect to any of the properties of the Pengrowth Parties currently or formerly owned, leased, operated or otherwise used; and
 - (viii) the Pengrowth Parties have not assumed or retained by contract or operation of law any losses, expenses, claims, damages or liabilities of any third-party pursuant to applicable Environmental Laws.
- (x) Policies of insurance in force as of the date hereof naming Pengrowth or Pengrowth Corporation, as applicable, as an insured adequately cover all risks reasonably and prudently foreseeable in the operation and conduct of the business of Pengrowth and Pengrowth Corporation as would be customary in respect of the businesses carried on by Pengrowth and Pengrowth Corporation, respectively. All such policies of insurance shall remain in force and effect and shall not be cancelled or otherwise terminated as a result of the transactions contemplated hereby or by the Plan of Arrangement.
- (y) (i) All Tax Returns required to be filed by or on behalf of Pengrowth or Pengrowth Corporation have been duly filed on a timely basis and such Tax Returns are true, complete and correct in all material respects. All Taxes shown to be payable on the Tax Returns or on subsequent assessments with respect thereto have been paid in full on a timely basis or have been accrued for on Pengrowth's financial statements, and no other Taxes are payable by Pengrowth or Pengrowth Corporation with respect to items or periods covered by such Returns.
 - (ii) No material deficiencies exist or have been asserted with respect to Taxes of Pengrowth or Pengrowth Corporation. Neither Pengrowth nor Pengrowth Corporation is a party to any action or proceeding for assessment or collection of Taxes, nor has such event been asserted or threatened against Pengrowth or Pengrowth Corporation, or any of their

respective assets. No waiver or extension of any statute of limitations is in effect with respect to Taxes or Returns of Pengrowth or Pengrowth Corporation. The Tax Returns of Pengrowth and Pengrowth Corporation have only been audited by a government or taxing authority in the ordinary course of business.

- (iii) Pengrowth is a "mutual fund trust" as defined in the Income Tax Act. Pengrowth intends to deduct, in computing its income, the full amount available for deduction in each year to the extent of its income for the year otherwise determined and as a result of such deduction of income, it is expected that Pengrowth will not be liable for any material amount of tax under the Income Tax Act.
- (z) The Pengrowth Trust Units were listed on the TSX before November 1, 2006 and continuously thereafter and Pengrowth would have been a "SIFT trust" on October 31, 2006 had the definition of "SIFT trust" contained in Bill C-52, an act to implement certain provisions of the budget tabled in Parliament on March 19, 2007 which received Royal Assent on June 22, 2007 (the "**SIFT Rules**"), been in force and applied to Pengrowth on that date, and Pengrowth has not exceeded, and will not have exceeded upon completion of the Arrangement, its normal growth limitations as determined for the purposes of the SIFT Rules;
- (aa) No securities commission or similar regulatory authority has issued any order preventing or suspending trading of any securities of Pengrowth, and Pengrowth is not in default of any requirement of Applicable Laws in any material respect.
- (bb) All information relating to Pengrowth and Pengrowth Corporation provided by Pengrowth to Monterey for inclusion in the Information Circular shall be true and complete in all material respects and shall not contain a Misrepresentation.
- (cc) Pengrowth Corporation is authorized to execute this Agreement on behalf of Pengrowth.
- (dd) Pengrowth Trust Units and Pengrowth Exchangeable Shares to be issued under the Plan of Arrangement will, upon issuance, be duly and validly issued as fully paid and non-assessable Pengrowth Trust Units of Pengrowth and Pengrowth Exchangeable Shares of Pengrowth Corporation, as applicable.
- (ee) The Pengrowth Board of Directors has endorsed the Arrangement and approved this Agreement.
- (ff) With the exception of the distribution payable on July 15, 2010 to unitholders of Pengrowth of record on June 29, 2010, all distributions previously declared by Pengrowth to be payable to Pengrowth's unitholders have been paid in full in accordance with such declarations.

4.2 Representations and Warranties of Monterey

Monterey represents and warrants to and in favour of the Pengrowth Parties and acknowledges that the Pengrowth Parties are relying upon such representations and warranties in connection with the matters contemplated by this Agreement and the consummation of the Arrangement:

- (a) Monterey is a corporation duly continued and validly existing under the laws of Alberta and has the requisite corporate power and authority to own its properties and conduct its business as now owned and conducted. Monterey is duly registered to do business and is in good standing in each jurisdiction in which the character of its properties, owned or leased, or the nature of its activities make such registration necessary, except where the failure to be so registered or in good standing would not have a Material Adverse Effect on Monterey.
- (b) Monterey has the requisite corporate authority to enter into this Agreement and all agreements contemplated hereunder and to carry out its obligations hereunder and thereunder. The execution

and delivery of this Agreement and all agreements contemplated hereunder and the consummation of the transactions contemplated hereby and thereby have been duly authorized by the Monterey Board of Directors, and (except for approvals contemplated by this Agreement) no other corporate proceedings on the part of Monterey are necessary to authorize this Agreement or any other agreement contemplated hereunder and the transactions contemplated hereby and thereby. This Agreement and all agreements contemplated hereunder have been or will be on or before the Effective Date duly executed and delivered by Monterey and constitute the legal, valid and binding obligation of Monterey enforceable against Monterey in accordance with their terms.

- (c) Except for the approvals contemplated in this Agreement, neither the execution and delivery of this Agreement nor any other agreement contemplated hereunder by Monterey, the consummation of the transactions contemplated hereby and thereby nor compliance by Monterey with any of the provisions hereof and thereof will: (i) violate, conflict with, or result in breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in a right of termination or acceleration under, or result in a creation of any Encumbrance upon any of the properties or assets of Monterey under, any of the terms, conditions or provisions of (x) the constating documents of Monterey or (y) any note, bond, mortgage, indenture, loan agreement, deed of trust, agreement, lien, contract or other material instrument or obligation to which Monterey is a party or to which it, or any of its properties or assets, may be subject or by which Monterey is bound; (ii) subject to compliance with the statutes and regulations referred to in subsection 4.2(d), violate any judgment, ruling, order, writ, injunction, determination, award, decree, statute, ordinance, rule or regulation applicable to Monterey (except, in the case of each of clauses (i) and (ii) in this subsection, for such violations, conflicts, breaches, defaults or terminations which, or any consents, approvals or notices which if not given or received, would not have any Material Adverse Effect on Monterey or on the ability of Monterey to consummate the transactions contemplated hereby); or (iii) cause the suspension or revocation of any authorization, consent, approval or license currently in effect which would have a Material Adverse Effect on Monterey.
- (d) Except for the approvals contemplated in this Agreement and approvals that have been obtained and other than in the normal course in connection with or in compliance with the provisions of Applicable Laws and any pre-merger notification statutes: (i) there is no legal impediment to Monterey's consummation of the transactions contemplated by this Agreement or any agreement contemplated hereunder; and (ii) no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is necessary by Monterey in connection with the making of this Agreement or the consummation of the transactions contemplated by this Agreement or any agreement contemplated hereunder, except for such filings or registrations which, if not made, or for such authorizations, consents or approvals which, if not received, would not have a Material Adverse Effect on Monterey or the ability of Monterey to consummate the transactions contemplated hereby.
- (e) As of the date hereof: (i) the authorized share capital of Monterey consists of an unlimited number of Monterey Shares and only 45,966,167 Monterey Shares are issued and outstanding; and (ii) 3,788,166 Monterey Shares are issuable pursuant to the exercise of outstanding Monterey Options. Except as set forth in the immediately preceding sentence, there are no options, warrants or other rights, agreements or commitments of any character whatsoever requiring the issuance, sale or transfer by Monterey of any shares of Monterey (including Monterey Shares) or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any shares of Monterey (including Monterey Shares), nor are there any outstanding stock appreciation rights, phantom equity or similar rights, agreements, arrangements or commitments based upon the book value, income or other attribute of Monterey. All outstanding Monterey Shares have been duly authorized and validly issued, are fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive rights, and all Monterey Shares issuable upon exercise of outstanding Monterey Options, in accordance with their terms will be duly authorized and validly issued, fully paid and non-assessable and will not be subject to any pre-emptive rights.

- (f) Since December 31, 2009, there has not been any Material Adverse Change in respect of Monterey.
- (g) To the best of the knowledge of Monterey, all material data and information provided by Monterey to Pengrowth and its agents and representatives is true and correct in all material respects.
- (h) Except: (i) as disclosed or reflected in the audited financial statements of Monterey as at December 31, 2009 previously delivered to Pengrowth; and (ii) for liabilities and obligations (x) incurred in the ordinary course of business and consistent with past practice, (y) pursuant to or in connection with the terms of this Agreement, or (z) as disclosed in the Monterey Public Record, Monterey has not incurred any material liabilities of any nature, whether accrued, contingent or otherwise or which would be required by GAAP to be reflected on a consolidated balance sheet of Monterey as of the date hereof.
- (i) Monterey has not retained nor will it retain any financial advisor, broker, agent or finder or paid or agreed to pay any financial advisor, broker, agent or finder on account of this Agreement, any transaction contemplated hereby or any transaction presently ongoing or contemplated, except that Cormark has been retained as Monterey's financial advisors in connection with certain matters including the transactions contemplated hereby, Monterey has retained the Valuator and Monterey has delivered to the Pengrowth Parties copies of all agreements relating to such retainer and no fees are payable to such advisors or past advisors other than pursuant to such agreements.
- (j) Since December 31, 2009, Monterey has not taken any action that would be in violation of subsection 3.3(e) if such provision had been in effect since such date, other than violations which would not have any Material Adverse Effect on the business, operations or financial condition of Monterey and would not materially affect Monterey's ability to consummate the transactions contemplated hereby.
- (k) Monterey has filed on SEDAR: (i) an information circular relating to its 2010 annual meeting of shareholders, its 2010 Annual Report to shareholders and its annual information form dated March 18, 2010; (ii) all prospectuses or other offering documents used by Monterey in the offering of its securities or filed with securities authorities since December 31, 2009; and (iii) the Monterey Financial Statements. As of their respective dates, such form, circular, report, filings, statements, prospectuses and other offering documents (including all exhibits and schedules thereto and documents incorporated by reference therein): (i) did not contain any Misrepresentation; and (ii) complied in all material respects with all Applicable Laws. The Monterey Financial Statements previously delivered to Pengrowth, or included or incorporated by reference in such form, circular, report, statements, prospectuses and other offering documents were prepared in accordance with GAAP (except as otherwise indicated in such financial statements and the notes thereto or in any related report of Monterey's independent auditors), and fairly present the financial position, results of operations and changes in financial position of Monterey as of the dates thereof and for the periods indicated therein.
- (l) Monterey will, during the term of this Agreement, deliver to Pengrowth as soon as they become available true and complete copies of any report or statement filed by it with any securities authority under Applicable Laws subsequent to the date hereof. As of their respective dates, such reports and statements (excluding any information therein provided by Pengrowth, as to which Monterey makes no representation) will comply in all material respects with Applicable Law. The financial statements of Monterey issued by Monterey or to be included in such reports and statements (excluding any information therein provided by Pengrowth, as to which Monterey makes no representation) will be prepared in accordance with GAAP (except: (i) as otherwise indicated in such financial statements and the notes thereto or, in the case of audited statements, in the related report of Monterey's independent accountants; or (ii) in the case of unaudited interim financial statements, to the extent they may not include footnotes or may be condensed or summary statements) and will present fairly the financial position, results of operations and

changes in financial position of Monterey as of the dates thereof and for the periods indicated therein (subject, in the case of any unaudited interim financial statements, to normal year-end audit adjustments).

- (m) Monterey does not have any subsidiaries.
- (n) The corporate records and minute books of Monterey have been maintained in accordance with all applicable statutory requirements and are complete and accurate in all material respects.
- (o) There is no claim, action, proceeding or investigation pending or, to the knowledge of Monterey, threatened against or relating to Monterey or affecting any of its properties or assets before any court or governmental or regulatory authority or body that, if adversely determined, is likely to have a Material Adverse Effect on Monterey or prevent or materially delay consummation of the transactions contemplated by this Agreement or the Plan of Arrangement, nor is Monterey aware of any basis for any such claim, action, proceeding or investigation. Monterey is not subject to any outstanding order, writ, injunction or decree that has had or is reasonably likely to have a Material Adverse Effect on Monterey or prevent or materially delay consummation of the transactions contemplated by this Agreement or the Plan of Arrangement.
- (p) Monterey is not in material violation of any applicable federal, provincial, municipal or local laws, regulations, orders, government decrees or ordinances with respect to environmental, health or safety matters (collectively, "**Environmental Laws**").
- (q) Monterey has operated its business at all times and has received, handled, used, stored, treated, shipped and disposed of all contaminants without material violation of Environmental Laws which has not been rectified.
- (r) There have been no material spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes which have not been rectified or are in the process of being rectified on any of the real property owned or leased by Monterey during the period of its ownership or tenure or under its control during the period in which it has had control.
- (s) There have been no material releases, deposits or discharges, in material violation of Environmental Laws, of any hazardous or toxic substances, contaminants or wastes into the earth, air or into any body of water or any municipal or other sewer or drain water systems by Monterey which has not been rectified.
- (t) No material orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of Monterey other than abandonment and similar notices issued in connection with the normal course of business.
- (u) Monterey holds all material licences, permits and approvals required under any Environmental Laws in connection with the operation of its business and the ownership and use of its assets, all such licences, permits and approvals are in full force and effect.
- (v) Monterey has provided Pengrowth and Pengrowth Corporation with true and complete copies of all environmental reports, audits and reviews that it has in respect of its assets.
- (w) Monterey has not received notice of any proposed environmental policies or laws which Monterey reasonably believes would have a Material Adverse Effect on any oil and/or gas exploration, development or production operations of Monterey other than those that apply to the industry generally.
- (x) Policies of insurance in force as of the date hereof naming Monterey as an insured adequately cover all risks reasonably and prudently foreseeable in the operation and conduct of the business

of Monterey as would be customary in respect of the businesses carried on by Monterey. All such policies of insurance shall remain in force and effect and shall not be cancelled or otherwise terminated as a result of the transactions contemplated hereby or by the Plan of Arrangement.

- (y) Other than as set forth in the Disclosure Letter:
 - (i) all Tax Returns required to be filed by or on behalf of Monterey have been duly filed on a timely basis and such Tax Returns are true, complete and correct in all material respects. All Taxes shown to be payable on the Tax Returns or on subsequent assessments with respect thereto have been paid in full on a timely basis or have been accrued for on Monterey's Financial Statements, and no other Taxes are payable by Monterey with respect to items or periods covered by such Tax Returns.
 - (ii) Monterey has paid or provided adequate accruals in the Monterey Financial Statements for Taxes, including income taxes and related future taxes, in conformity with GAAP.
 - (iii) No material deficiencies exist or have been asserted with respect to Taxes of Monterey. Monterey is not a party to any action or proceeding for assessment or collection of Taxes, nor has such event been asserted or threatened against Monterey or any of its respective assets. No waiver or extension of any statute of limitations is in effect with respect to Taxes or Tax Returns of Monterey. The Tax Returns of Monterey have never been audited by a government or taxing authority, nor is any such audit in process, pending or threatened, other than such audits which are no longer outstanding.
- (z) Pengrowth and Pengrowth Corporation have been furnished by Monterey with true and complete copies of: (i) all relevant portions of income tax audit reports, statements of deficiencies, closing or other agreements received by Monterey or on behalf of Monterey relating to Taxes; and (ii) all pro-forma separate federal and provincial income or franchise tax returns for Monterey.
- (aa) Monterey is a "reporting issuer", or the equivalent thereof, in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick and Nova Scotia and is in material compliance with all securities laws of such provinces and the rules and policies of the TSX and the Monterey Shares are listed on and only on the TSX.
- (bb) The Monterey Board of Directors, upon consultation with its advisors and having received the verbal Cormark Fairness Opinion, has determined that the Arrangement is fair to the Monterey Shareholders, that the Arrangement is in the best interests of Monterey and the Monterey Shareholders, has unanimously approved the Arrangement and the entering into of this Agreement and subject to subsection 3.5(b)(vi), has resolved to unanimously recommend Monterey Securityholders vote in favour of the Arrangement (except in each case for the abstention of Mr. Christopher Webster, as a director of Monterey and a senior officer of Pengrowth Corporation).
- (cc) All information relating to Monterey in the Information Circular shall be true and complete in all material respects and shall not contain any Misrepresentation.
- (dd) No securities commission or similar regulatory authority has issued any order preventing or suspending trading of any securities of Monterey, and Monterey is not in default of any requirement of Applicable Laws in any material respect.
- (ee) The documents comprising the Monterey Public Record were true, correct and complete and did not contain a Misrepresentation, as of their respective dates, no material change has occurred in relation to Monterey which is not disclosed in such public record, and Monterey has not filed any confidential material change reports which continue to be confidential.

- (ff) Monterey:
- (i) has no defined benefit plans or other similar employee pension benefit plans;
 - (ii) has provided adequate accruals in its financial statements for the year ended December 31, 2009 and the period ended March 31, 2010 (or such amounts are fully funded) for all pension or other employee benefit obligations of Monterey arising under or relating to each of the pension or retirement income plans or other employee benefit plans or agreements or policies maintained by or binding on Monterey as well as for any other payment required to be made by Monterey in connection with the termination of employment or retirement of any employee of Monterey in respect of the fiscal period ended March 31, 2010; and
 - (iii) has no stock option plans other than the Monterey Option Plan.
- (gg) Monterey is not a party to any employment or management agreement or to any written or oral policy, agreement, obligation or understanding or any amendment thereto which contains any specific agreement as to notice of termination or severance pay in lieu thereof or which cannot be terminated without cause on giving reasonable notice as may be implied by law.
- (hh) There is not in effect with respect to Monterey, and prior to the Effective Date Monterey will not implement, any shareholder rights plan or any other form of plan, agreement, contract or instrument that will trigger any rights to acquire Monterey Shares or other securities of Monterey or rights, entitlements or privileges in favour of any person upon the entering into of this Agreement or on the Arrangement becoming effective.
- (ii) Monterey has not waived or released the applicability of any "standstill" or other provisions of any confidentiality agreements entered into by Monterey.
- (jj) A good faith estimate of each component of the Monterey Transaction Costs is set forth in the Disclosure Letter; the Monterey Transaction Costs, in the aggregate, do not exceed the amount set forth in the Disclosure Letter; and the Disclosure Letter includes the length of service, position and salary of each employee of Monterey and a good faith estimate of the common law severance entitlement of each employee of Monterey in lieu of notice.
- (kk) There is no non-competition, exclusivity or other similar agreement, commitment or understanding in place, whether written or oral, to which Monterey, or, to the knowledge of Monterey, any director, officer, employee or consultant or any affiliate (as defined in the ABCA) of such persons is a party or is otherwise bound that would now or hereafter, in any way limit the business or operations of Monterey: (i) in a particular manner or to a particular locality or geographic region; or (ii) for a limited period of time.
- (ll) The execution, delivery and performance of this Agreement does not and will not result in the restriction on Monterey from engaging in its businesses or from competing with any person or in any geographical area and do not and will not result in a Material Adverse Effect on its business or trigger or cause to arise any rights of any person under any contract or arrangement to restrict any of the foregoing from engaging in the business currently carried on by Monterey.
- (mm) As at March 31, 2010, subject to the Disclosure Letter, the balance of each of Monterey's aggregate Tax Pools was not less than REDACTED – dollar amount, of which not less than REDACTED – dollar amount million consist of non-capital loss pools.
- (nn) Monterey has conducted and is conducting its business substantially in accordance with good oilfield practices and in compliance in all material respects with all applicable laws, rules and regulations and, in particular, all applicable licensing and environmental legislation, regulations or

by-laws or other requirements of any governmental or regulatory bodies applicable to Monterey in each jurisdiction in which it carries on business and holds all licences, registrations and qualifications material to its business and assets in all jurisdictions in which it carries on business, as now conducted, and where the failure to so conduct business or be in such compliance would have a Material Adverse Effect on Monterey and none of such licences, registrations or qualifications contains any burdensome term, provision, condition or limitation which has or is likely to have any Material Adverse Effect on Monterey.

- (oo) Although it does not warrant title, Monterey has no reason to believe that Monterey does not have title to or the right to produce and sell its petroleum, natural gas and related hydrocarbons (for the purpose of this Section, the foregoing are referred to as the "**Interests**") and does represent and warrant that the Interests are free and clear of adverse claims created by, through or under the Monterey except as disclosed in the Monterey Public Record, any governmental registry or those arising in the ordinary course of business (including encumbrances ordinarily considered to be "permitted encumbrances" in connection with oil and gas transactions in Western Canada, but not including any gross overriding royalties which are not disclosed in the Disclosure Letter and including those related to bank financings) and that, to the best of its knowledge, information and belief, Monterey holds the Interests under valid and subsisting leases, licences, permits, concessions, concession agreements, contracts, subleases, reservations or other agreements (collectively, the "**PNG Leases**"), except where the failure to hold such rights in the event of such adverse claims or the failure to so hold its Interest would, individually or in the aggregate, not have a Material Adverse Effect on Monterey.
- (pp) Monterey (or the operator of the PNG Leases, where Monterey is not the operator) has all surface access rights (including those for wellsites, batteries, roads and gathering systems) necessary to undertake all drilling and other operations on the PNG Leases or, if it (or the operator) does not have any of such rights, it has no reason to believe that it (or the operator) will not be able to obtain them on reasonable terms in ample time to undertake such operations in a timely manner and it is not aware after diligent inquiry of any governmental or other moratorium on or suspension of the negotiation or granting of surface access to any lands that may be necessary to the conduct of any such operations and Monterey is not aware of any material impediment to the immediate development of its assets.
- (qq) Monterey's assets are not subject to any agreement which provides for an area of mutual interest or an area of exclusion and Monterey is not subject to any other similar contractual restriction.
- (rr) Monterey Net Debt and Monterey's working capital deficiency did not at June 30, 2010 exceed REDACTED – dollar amount.

4.3 Privacy Issues

- (a) For the purposes of this Section 4.3, the following definitions shall apply:
 - (i) "**applicable law**" means, in relation to any Person, transaction or event, all applicable provisions of Applicable Laws by which such Person *is* bound or having application to the transaction or event in question, including applicable privacy laws;
 - (ii) "**applicable privacy laws**" means any and all applicable laws relating to privacy and the collection, use and disclosure of Personal Information in all applicable jurisdictions, including but not limited to the *Personal Information Protection and Electronic Documents Act* (Canada) and/or any comparable provincial law including the *Personal Information Protection Act* (Alberta);
 - (iii) "**authorized authority**" means, in relation to any Person, transaction or event, any (a) federal, provincial, municipal or local governmental body (whether administrative, legislative, executive or otherwise), both domestic and foreign, (b) agency, authority, commission, instrumentality,

regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, (c) court, arbitrator, commission or body exercising judicial, quasi-judicial, administrative or similar functions, and (d) other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange, in each case having jurisdiction over such Person, transaction or event; and

- (iv) **"Personal Information"** means information (other than business contact information when used or disclosed for the purpose of contacting such individual in that individual's capacity as an employee or an official of an organization and for no other purpose) about an identifiable individual disclosed or transferred to Pengrowth by Monterey in accordance with this Agreement and/or as a condition of the Arrangement.
- (b) The Parties hereto acknowledge that they are responsible for compliance at all times with applicable privacy laws which govern the collection, use or disclosure of Personal Information disclosed to either Party pursuant to or in connection with this Agreement (the **"Disclosed Personal Information"**).
- (c) Prior to the completion of the Arrangement, neither Party shall use or disclose the Disclosed Personal Information for any purposes other than those related to the performance of this Agreement and the completion of the Arrangement. After the completion of the transactions contemplated herein, a Party may only collect, use and disclose the Disclosed Personal Information for the purposes for which the Disclosed Personal Information was initially collected from or in respect of the individual to which such Disclosed Personal Information relates or for the completion of the transactions contemplated herein, unless (a) either Party shall have first notified such individual of such additional purpose, and where required by applicable law, obtained the consent of such individual to such additional purpose, or (b) such use or disclosure is permitted or authorized by applicable law, without notice to, or consent from, such individual.
- (d) Each Party acknowledges and confirms that the disclosure of the Disclosed Personal Information is necessary for the purposes of determining if the Parties shall proceed with the Arrangement, and that the Disclosed Personal Information relates solely to the carrying on of the business or the completion of the Arrangement.
- (e) Each Party acknowledges and confirms that it has taken and shall continue to take reasonable steps to, in accordance with applicable law, prevent accidental loss or corruption of the Disclosed Personal Information, unauthorized input or access to the Disclosed Personal Information, or unauthorized or unlawful collection, storage, disclosure, recording, copying, alteration, removal, deletion, use or other processing of such Disclosed Personal Information.
- (f) Subject to the following provisions, each Party shall at all times keep strictly confidential all Disclosed Personal Information provided to it, and shall instruct those employees or advisors responsible for processing such Disclosed Personal Information to protect the confidentiality of such information in a manner consistent with the Parties' obligations hereunder. Prior to the completion of the Arrangement, each Party shall take reasonable steps to ensure that access to the Disclosed Personal Information shall be restricted to those employees or advisors of the respective Party who have a *bona fide* need to access such information in order to complete the Arrangement.
- (g) Where authorized by applicable law, each Party shall promptly notify the other Party to this Agreement of all inquiries, complaints, requests for access, variations or withdrawals of consent and claims of which the Party is made aware in connection with the Disclosed Personal Information. To the extent permitted by applicable law, the Parties shall fully co-operate with one another, with the persons to whom the Personal Information relates, and any authorized authority charged with enforcement of applicable privacy laws, in responding to such inquiries, complaints, requests for access, variations or withdrawals of consent and claims.
- (h) Upon the expiry or termination of this Agreement, or otherwise upon the reasonable request of either Party, the other Party shall forthwith cease all use of the Disclosed Personal Information acquired by it in

connection with this Agreement and will return to the requesting Party or, at the requesting Party's request, destroy in a secure manner, the Disclosed Personal Information (and any copies thereof) in its possession.

ARTICLE 5 CONDITIONS PRECEDENT

5.1 Mutual Conditions Precedent

The respective obligations of the Parties to consummate the transactions contemplated hereby, and in particular the Arrangement, are subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions:

- (a) Interim Order. On or before August 16, 2010, the Interim Order shall have been granted in form and substance satisfactory to each of Pengrowth and Monterey, acting reasonably, and such order shall not have been set aside or modified in a manner unacceptable to Pengrowth and Monterey, each acting reasonably, on appeal or otherwise.
- (b) Arrangement Resolution. On or prior to the Outside Date, the Arrangement Resolution shall have been passed by the Monterey Securityholders in accordance with the Interim Order.
- (c) Final Order. On or before the Outside Date, the Final Order shall have been granted in form and substance satisfactory to Pengrowth and Monterey, acting reasonably and such order shall not have been set aside or modified in a manner unacceptable to Pengrowth and Monterey, acting reasonably, on appeal or otherwise.
- (d) Articles of Arrangement. The Articles of Arrangement to be filed with the Registrar in accordance with the Arrangement shall be in form and substance satisfactory to each of Pengrowth and Monterey, acting reasonably.
- (e) Third Party Approvals. Pengrowth and Monterey shall have obtained all consents, waivers, permissions and approvals necessary to complete the Arrangement by or from relevant Governmental Authorities, on terms and conditions satisfactory to the Parties, acting reasonably, including without limitation:
 - (i) the approval of the Monterey Securityholders required for the Arrangement pursuant to the ABCA or as required by the Court and other matters relating to the Arrangement;
 - (ii) the TSX and the NYSE shall have conditionally approved the listing of the Pengrowth Trust Units issuable to Monterey Securityholders pursuant to the Arrangement and the Pengrowth Trust Units issuable pursuant to the terms and conditions of Pengrowth Exchangeable Shares which are issuable to Monterey Securityholders pursuant to the Arrangement on terms which Pengrowth and Pengrowth Corporation are capable of satisfying after giving effect to the Arrangement; and
 - (iii) Competition Act Approval;
 (collectively, together with the approval described in Section 5.1(g), the "**Third Party Approvals**").
- (f) Pengrowth Exchangeable Shares. The Exchangeable Shares shall have been created, having terms and conditions mutually agreeable to Pengrowth and Monterey, acting reasonably and the Support Agreement and Voting and Exchange Trust Agreement shall have been entered into.
- (g) Waiting Periods. All domestic and foreign statutory and regulatory waiting periods applicable to the transactions contemplated by the Arrangement, shall have expired or have been terminated and no unresolved material objection or opposition shall have been filed, initiated or made during any applicable statutory or regulatory period.

- (h) No Actions. There shall be no action taken under any existing Applicable Law, nor any statute, rule, regulation or order which is enacted, enforced, promulgated or issued by any Governmental Authority, that:
- (i) makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated herein; or
 - (ii) results in a judgment or assessment of material damages directly or indirectly relating to the transactions contemplated herein.

The foregoing conditions are for the mutual benefit of Pengrowth on the one hand and Monterey on the other hand and may be waived, in whole or in part, jointly by the Parties at any time. If any of the foregoing conditions are not satisfied or waived on or before the Outside Date, then a Party may terminate this Agreement as provided in Section 8.1(a)(ii) (save and except for Article 6 and Section 4.3 hereof which shall survive such termination and remain in full force and effect) by written notice to the other Party in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of such terminating Party's breach of this Agreement.

5.2 Additional Conditions to Obligations of Pengrowth

The obligation of Pengrowth and Pengrowth Corporation to consummate the transactions contemplated hereby, and in particular the Arrangement, is subject to the following conditions:

- (a) Representations and Warranties. The representations and warranties of Monterey set forth herein shall be true and correct in all respects as of the Effective Date as if made on and as of such date without giving effect to any materiality qualifiers contained therein (except to the extent such representations and warranties speak as of an earlier date or, with respect to all representations and warranties and except as affected by transactions contemplated or permitted by this Agreement) except where the failure of such representations and warranties to be true and correct, individually or in the aggregate, would not result, or would not reasonably be expected to result, in a Material Adverse Change or have a Material Adverse Effect on Monterey or would not, or would not reasonably be expected to, materially impede the ability of the Parties to complete the Arrangement and each of Monterey shall have provided to Pengrowth a certificate of two senior officers certifying such accuracy on the Effective Date; provided that Monterey shall be entitled to cure any breach of a representation and warranty within five Business Days after receipt of written notice thereof from Pengrowth (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date).
- (b) Covenants. Monterey shall have complied in all material respects with its covenants herein, and Monterey shall have provided to Pengrowth a certificate of two senior officers certifying compliance with such covenants; provided that Monterey shall be entitled to cure any breach of a covenant within five Business Days after receipt of written notice thereof from Pengrowth (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date).
- (c) Mailing Date. The Mailing Date shall occur not later than August 16, 2010, provided the failure to mail by such date is not caused by a material breach of Pengrowth's covenants under this Agreement;
- (d) No Actions. No act, action, suit, proceeding, objection or opposition shall have been threatened or taken before or by any Governmental Authority or by any elected or appointed public official or private Person in Canada or elsewhere, whether or not having the force of law and no law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of law) shall have been proposed, enacted, promulgated, amended or applied, which in the sole judgment of Pengrowth, acting reasonably, in either case has had or, if the Arrangement was consummated, would result in a Material Adverse Effect on Monterey or would materially impede the ability of the Parties to complete the Arrangement.
- (e) No Material Adverse Change. Between the date hereof and the Effective Time, there shall not have occurred any Material Adverse Change with respect to Monterey.

- (f) Board and Shareholder Authorization. Monterey shall have furnished Pengrowth and Pengrowth Corporation with:
- (i) certified copies of the resolutions duly passed by the Monterey Board of Directors approving this Agreement and the consummation of the transactions contemplated hereby; and
 - (ii) certified copies of the resolutions of Monterey Securityholders, duly passed at the Monterey Meeting, approving the Arrangement Resolution.
- (g) Dissent Rights. Holders of Monterey Securities representing not more than 5% of the Monterey Securities then outstanding shall have validly exercised, and not withdrawn, Dissent Rights.
- (h) Monterey Securities. Pengrowth shall be satisfied, acting reasonably, that after giving effect to the Arrangement: (i) not greater than 45,966,167 Monterey Common Shares will be outstanding, plus up to 3,788,166 Monterey Common Shares which may be issued pursuant to the exercise of Monterey Options, or in respect of which may be tendered for Pengrowth Trust Units or Pengrowth Exchangeable Shares in accordance with this Agreement; and (ii) that there are no other outstanding claims or rights or securities which could become claims or rights to Monterey Common Shares.
- (i) Releases. Executed mutual releases in a form acceptable to Pengrowth and Monterey, acting reasonably, shall have been received by Pengrowth on or prior to the Effective Date from each Person who is a director, officer or employee of Monterey and who is entitled to receive a severance amount as a consequence of the Arrangement provided, however, that such releases shall only be required from each such individual who, as a consequence of the Arrangement, is no longer a director, officer or employee of Monterey.
- (j) Area of Exclusion Agreements. Area of Exclusion Agreements shall have been entered into between Pengrowth, Pengrowth Corporation and each of Patrick Manuel, Bill Meeuwissen, Amar Pandila and Doug Smith in a form satisfactory to Pengrowth, acting reasonably.
- (k) No Dividends or Other Distributions. Following the date of this Agreement, Monterey shall not have, directly or indirectly, declared, set aside or paid any dividend or other distribution or made any other payment whatsoever (whether in cash, shares or property) in respect of its outstanding securities.

The conditions in this Section 5.2 are for the exclusive benefit of Pengrowth and may be asserted by Pengrowth regardless of the circumstances or may be waived by Pengrowth in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Pengrowth may have. If any of the foregoing conditions are not satisfied or waived, Pengrowth may, in addition to any other remedies they may have at law or equity, terminate this Agreement as provided in Section 8.1(a)(ii) (save and except for Article 6 and Section 4.3 hereof which shall survive such termination and remain in full force and effect).

5.3 Additional Conditions to Obligations of Monterey

The obligation of Monterey to consummate the transactions contemplated hereby, and in particular the Arrangement, is subject to the following conditions:

- (a) Representations and Warranties. The representations and warranties of Pengrowth set forth herein shall be true and correct in all respects as of the Effective Date as if made on and as of such date without giving effect to any materiality qualifiers contained therein (except to the extent such representations and warranties speak as of an earlier date or except as affected by transactions contemplated or permitted by this Agreement), except where the failure of such representations and warranties to be true and correct, individually or in the aggregate, would not, or would not reasonably be expected to result in a Material Adverse Change or have a Material Adverse Effect on Pengrowth or would not, or would not reasonably be expected to, materially impede the ability of the Parties to complete the Arrangement, and Pengrowth shall have provided to Monterey a certificate of two senior officers of Pengrowth Corporation certifying such accuracy on the Effective Date.

- (b) Covenants. The Pengrowth Parties shall have complied in all material respects with their respective covenants herein, and Pengrowth shall have provided to Monterey a certificate of two senior officers of Pengrowth Corporation certifying compliance with such covenants; provided that Pengrowth Parties shall be entitled to cure any breach of a covenant within five Business Days after receipt of written notice thereof from Monterey (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date).
- (c) No Actions. No act, action, suit, proceeding, objection or opposition shall have been threatened or taken before or by any Governmental Authority or by any elected or appointed public official or private person in Canada or elsewhere, whether or not having the force of law, and no law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of law) shall have been proposed, enacted, promulgated, amended or applied, which in the sole judgment of Monterey, acting reasonably, in either case has had or, if the Arrangement was consummated, would result in, a material adverse change in the affairs, operations or business of Pengrowth or would significantly impede the ability of the Parties to complete the Arrangement.
- (d) Mailing Date. The Mailing Date shall occur not later than August 16, 2010, provided the failure to mail by such date is not caused by a material breach of Monterey's covenants under this Agreement;
- (e) No Material Adverse Change. Between the date hereof and the Effective Time, there shall not have occurred any Material Adverse Change with respect to Pengrowth.
- (f) Board Authorization. Pengrowth and Pengrowth Corporation shall have each furnished Monterey with certified copies of the resolutions duly passed by the Pengrowth Board of Directors approving this Agreement and the consummation of the transactions contemplated hereby.

The conditions in this Section 5.3 are for the exclusive benefit of Monterey and may be asserted by Monterey regardless of the circumstances or may be waived by Monterey in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Monterey may have. If any of the foregoing conditions are not satisfied or waived, Monterey may, in addition to any other remedies it may have at law or equity, terminate this Agreement as provided in Section 8.1(a)(ii) (save and except for Article 6 and Section 4.3 hereof which shall survive such termination and remain in full force and effect).

5.4 Notice and Effect of Failure to Comply with Conditions

Each of Pengrowth and Monterey shall give prompt notice to the other of the occurrence, or failure to occur, at any time from the date hereof to the Effective Date of any event or state of facts which occurrence or failure would, or would be likely to: (i) cause any of the representations or warranties of such Party contained herein to be untrue or inaccurate in any material respect; or (ii) result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by any Party hereunder; provided, however, that no such notification will affect the representations or warranties of the Parties or the conditions to the obligations of the Parties hereunder.

5.5 Satisfaction of Conditions

The conditions set out in this Article 5 are conclusively deemed to have been satisfied, waived or released when, with the agreement of the Parties, Articles of Arrangement are filed under the ABCA to give effect to the Arrangement.

ARTICLE 6 AGREEMENT AS TO DAMAGES AND OTHER ARRANGEMENTS

6.1 Pengrowth Damages

If at any time after the execution of this Agreement and prior to its termination:

- (a) the Monterey Board of Directors withdraws, amends, changes or qualifies, or proposes publicly to withdraw, amend, change or qualify, in any manner adverse to Pengrowth, any of its recommendations or determinations referred to in Section 2.8;
- (b) the Monterey Board of Directors shall have failed to publicly reaffirm any of its recommendations or determinations referred to in Section 2.8 in accordance with Section 3.5(e) or within five Business Days of any written request to do so by Pengrowth (or, in the event that the Monterey Meeting to approve the Arrangement is scheduled to occur within such five Business Day period, prior to the scheduled date of such meeting);
- (c) a *bona fide* Acquisition Proposal is publicly announced, proposed, offered or made to the Monterey Shareholders or to Monterey and has not expired or been withdrawn at the time of the Monterey Meeting, and the Monterey Shareholders do not approve the Arrangement or the Arrangement is not submitted for their approval;
- (d) the Monterey Board of Directors or any committee of the Monterey Board of Directors accepts, recommends, approves or enters into an agreement, understanding or letter of intent to implement a Superior Proposal;
- (e) Monterey is in breach of any of its covenants made in this Agreement which breach individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Change with respect to, or Material Adverse Effect on, Monterey or materially impedes or would reasonably be expected to materially impede the completion of the Arrangement, and Monterey fails to cure such breach within five Business Days after receipt of written notice thereof from Pengrowth (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date); or
- (f) Monterey is in breach of any of its representations or warranties made in this Agreement (without giving effect to any materiality qualifiers contained therein) which breach individually or in the aggregate causes or would reasonably be expected to cause a Material Adverse Change with respect to, or have a Material Adverse Effect on, Monterey or materially impedes or would reasonably be expected to materially impede the completion of the Arrangement, and Monterey fails to cure such breach within five Business Days after receipt of written notice thereof from Pengrowth (except that no cure period shall be provided for a breach which by its nature cannot be cured and, in no event, shall any cure period extend beyond the Outside Date),

each of the above being a "**Pengrowth Damages Event**", then in the event of the termination of this Agreement pursuant to Article 8, Monterey shall pay to Pengrowth Corporation (or to whom Pengrowth Corporation may direct in writing) \$15 million (the "**Pengrowth Termination Fee**") as liquidated damages in immediately available funds to an account designated by Pengrowth within one Business Day after the first to occur of the events described above. Following an Pengrowth Damages Event, but prior to payment of the Pengrowth Termination Fee, Monterey shall be deemed to hold such applicable payment in trust for Pengrowth.

If Monterey fails to pay such amount to Pengrowth within one Business Day of the day on which such amount became payable as a result of its inability to access available credit facilities or otherwise, it shall make such payment to the full extent to which it is able within its then existing facilities and shall, subject to any required regulatory approvals and the consent of Monterey's lender under its Credit Facility, immediately issue a promissory note to Pengrowth evidencing the balance of such amount, which promissory note will be subordinated to the Credit Facility. Monterey covenants to pay the remaining balance as soon as it is able and to make partial payments as funds become available. Monterey agrees that it will not pay or otherwise satisfy any of the Monterey Change of Control Payments or any fees to its legal or financial advisors or otherwise make any payments outside of the ordinary course of business until the full amount of the Pengrowth Termination Fee has been paid to Pengrowth.

6.2 Pengrowth Liquidated Damages

Each Party acknowledges that the Pengrowth Termination Fee set out in Section 6.1 is a payment of liquidated damages which are a genuine pre-estimate of the damages which Pengrowth will suffer or incur as a result of the event giving rise to such damages and the resultant termination of this Agreement and is not a penalty. Monterey irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive. For greater certainty, the Parties that the payment of the amount pursuant to Section 6.1 is the sole monetary remedy of Pengrowth; provided, however, that this limitation shall not apply in the event of fraud or intentional breach of this Agreement by Monterey. Nothing herein shall preclude a Party from seeking injunctive relief to restrain any breach or threatened breach of the covenants or agreements set forth in this Agreement, the Confidentiality Agreement or otherwise to obtain specific performance of any of such act, covenants or agreements, without the necessity of posting bond or security in connection therewith.

ARTICLE 7 AMENDMENT

7.1 Amendment

This Agreement may at any time and from time to time before or after the holding of the Monterey Meeting be amended by written agreement of the Parties hereto without, subject to Applicable Law, further notice to or authorization on the part of their respective securityholders and any such amendment may, without limitation:

- (a) change the time for performance of any of the obligations or acts of the Parties;
- (b) waive any inaccuracies or modify any representation or warranty contained herein or in any document delivered pursuant hereto;
- (c) waive compliance with or modify any of the covenants herein contained and waive or modify performance of any of the obligations of the Parties; or
- (d) waive compliance with or modify any other conditions precedent contained herein;

provided that no such amendment reduces or materially adversely affects the consideration to be received by a Monterey Securityholder without approval by the affected securityholders given in the same manner as required for the approval of the Arrangement or as may be ordered by the Court.

7.2 Amendment of Plan of Arrangement

- (a) The Parties may by mutual agreement amend the Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment must be: (i) set out in writing; (ii) filed with the Court and, if made following the Monterey Meeting, approved by the Court; and (iii) communicated to holders of Monterey Common Shares or Monterey Options if and as required by the Court.
- (b) Other than as may be required under the Interim Order, any amendment to the Plan of Arrangement may be proposed by Monterey, or Pengrowth at any time prior to or at the Monterey Meeting (provided that the other Parties shall have consented thereto) with or without any other prior notice or communication, and if so proposed and accepted by the persons voting at the Monterey Meeting, shall become part of the Plan of Arrangement for all purposes.
- (c) Any amendment to the Plan of Arrangement that is approved by the Court following the Monterey Meeting shall be effective only if it is consented to by each of the Parties.

ARTICLE 8 TERMINATION

8.1 Termination

- (a) This Agreement may be terminated at any time prior to the Effective Date:
- (i) by mutual written consent of Pengrowth and Monterey;
 - (ii) as provided in Sections 5.1, 5.2 and 5.3;
 - (iii) by Pengrowth upon the occurrence of an Pengrowth Damages Event as provided in Section 6.1 provided that in the event of an Pengrowth Damages Event provided for in Section 6.1(a), this Agreement may not be terminated by Pengrowth unless Monterey Securityholders do not approve the Arrangement or the Arrangement is not submitted for their approval; and
 - (iv) by Monterey upon the occurrence of an Pengrowth Damages Event as provided in Section 6.1(d) (in accordance with Section 3.5(b)(vi) and provided Monterey has complied with its obligations set forth in Section 3.5(d)) and has paid to Pengrowth the amount required by Section 6.1.
- (b) If this Agreement is terminated in accordance with the foregoing provisions of this Section 8.1, this Agreement shall forthwith become void and no Party shall have any liability or further obligation to the other Parties hereunder except as provided in Article 6 and Section 4.3 hereof and each Party's obligations under the Confidentiality Agreement, which shall survive such termination, and provided that neither the termination of this Agreement nor anything contained in this Section 8.1(b) shall relieve any Party from any liability for any breach by it of this Agreement, including from any inaccuracy in any of its representations and warranties and any non-performance by it of its covenants made herein, prior to the date of such termination.

ARTICLE 9 NOTICES

9.1 Notices

All notices that may or are required to be given pursuant to any provision of this Agreement are to be given or made in writing and served personally, delivered by overnight courier or sent by facsimile transmission:

- (a) in the case of Pengrowth or Pengrowth Corporation, to:

Pengrowth Corporation

2100, 222 Third Avenue S.W.
Calgary, Alberta T2P 0B4

Attention: Derek W. Evans
President and Chief Executive Officer
Facsimile: REDACTED – facsimile number

with a copy to:

Bennett Jones LLP

4500 Bankers Hall East
855 – 2nd Street S.W.
Calgary, Alberta T2P 4K7

Attention: Brad D. Markel
Facsimile: (403) 265-7219

(b) in the case of Monterey, to:

Monterey Exploration Inc.
1000, 500 – 4th Avenue S.W.
Calgary, Alberta T2P 2V6

Attention: Patrick D. Manuel
President and Chief Executive Officer
Facsimile: REDACTED – facsimile number

with a copy to:

Burnet, Duckworth & Palmer LLP
1400, 350 – 7th Avenue SW
Calgary, Alberta T2P 3N9

Attention: Jacob Hoepfner
Facsimile: (403) 260-5745

or such other address as the Parties may, from time to time, advise the other Parties hereto by notice in writing. The date or time of receipt of any such notice will be deemed to be the date of delivery or the time such facsimile transmission is received.

ARTICLE 10 GENERAL

10.1 Binding Effect

This Agreement shall be binding upon and enure to the benefit of the Parties hereto and their respective successors and permitted assigns.

10.2 Assignment

Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the Parties hereto without the prior written consent of the other Parties hereto.

10.3 Public Communications

Each of Pengrowth and Monterey agree to consult with each other prior to issuing any press releases or otherwise making public statements with respect to this Agreement or the Arrangement or making any filing with any Governmental Authority with respect thereto. Without limiting the generality of the foregoing, no Party shall issue any press release regarding the Arrangement, this Agreement or any transaction relating to this Agreement without first providing a draft of such press release to the other Party and reasonable opportunity for comment; provided, however, that the foregoing shall be subject to each Party's overriding obligation to make any such disclosure required in accordance with Applicable Laws. If such disclosure is required and the other Party has not reviewed or commented on the disclosure, the Party making such disclosure shall use all commercially reasonable efforts to give prior oral or written notice to the other Party, and if such prior notice is not possible, to give such notice promptly following such disclosure.

10.4 Costs

Except as otherwise expressly provided for in Article 6, all fees, costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Party incurring such cost or expense, whether or not the Arrangement is completed.

10.5 Severability

If any one or more of the provisions or parts thereof contained in this Agreement should be or become invalid, illegal or unenforceable in any respect, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be severable therefrom and the validity, legality or enforceability of such remaining provisions or parts thereof shall not in any way be affected or impaired by the severance of the provisions or parts thereof severed. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

10.6 Further Assurances

Each Party hereto shall, from time to time and at all times hereafter, at the request of the other Parties hereto, but without further consideration, do all such further acts, and execute and deliver all such further documents and instruments and provide all such further assurances as may be reasonably required in order to fully perform and carry out the terms and intent hereof.

10.7 Time of Essence

Time shall be of the essence of this Agreement.

10.8 Applicable Law and Enforcement

This Agreement shall be governed, including as to validity, interpretation and effect, by the Applicable Laws of the Province of Alberta and the Applicable Laws of Canada applicable therein. The Parties hereby irrevocably submit and attorn to the non-exclusive jurisdiction of the courts of the Province of Alberta located in Calgary, in respect of all matters arising out of this Agreement, without prejudice to the rights of the Parties to take proceedings in any other jurisdiction. The Parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is, accordingly, agreed that the Parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the Province of Alberta having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity, subject to the provisions of this Agreement.

10.9 Waiver

Any Party may, on its own behalf only, (i) extend the time for the performance of any of the obligations or acts of the other Party, (ii) waive compliance with the other Party's agreements or the fulfillment of any conditions to its own obligations contained herein, or (iii) waive inaccuracies in the other Party's representations or warranties contained herein or in any document delivered by the other Party; provided, however, that any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party and, unless otherwise provided in the written waiver, will be limited to the specific breach or condition waived.

10.10 Third Party Beneficiaries

The provisions of Section 3.1(l) are: (i) intended for the benefit of all such present and former directors and officers and shall be enforceable by each of such persons and his or her heirs, executors, administrators and other legal representatives (collectively, the "Third Party Beneficiaries") and Monterey shall hold the rights and

benefits of such sections in trust for and on behalf of the Third Party Beneficiaries and Monterey hereby accepts such trust and agrees to hold the benefit of and enforce performance of such covenants on behalf of the Third Party Beneficiaries; and (ii) are in addition to, and not in substitution for, any other rights that the Third Party Beneficiaries may have by contract or otherwise.

10.11 Obligations of Pengrowth

The Parties acknowledge that Pengrowth Corporation is entering into this agreement in its own capacity and in its capacity as administrator on behalf of Pengrowth Energy Trust and the obligations of Pengrowth Energy Trust hereunder shall not be personally binding upon Pengrowth Corporation or any of the holders of Pengrowth Trust Units and that any recourse against Pengrowth, Pengrowth Corporation or any holder of Pengrowth Trust Units in any manner in respect of any indebtedness, obligation or liability of Pengrowth Energy Trust arising hereunder or arising in connection herewith or from matters to which this agreement relates, in any way, including without limitation claims based on negligence or otherwise tortious behaviour, shall be limited to, and satisfied only out of, the Trust Fund (as defined in the Pengrowth Trust Indenture).

[Remainder of page left blank intentionally – signatures follow]

10.12 Counterparts

This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which together constitute one and the same instrument.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

PENGROWTH ENERGY TRUST
by its administrator, Pengrowth Corporation

By: (signed) "Derek W. Evans"

By: (signed) "Robert W. Rosine"

PENGROWTH CORPORATION

By: (signed) "Derek W. Evans"

By: (signed) "Robert W. Rosine"

MONTEREY EXPLORATION LTD.

By: (signed) "John Mah"

By: (signed) "Patrick Manuel"

EXHIBIT "A"

PLAN OF ARRANGEMENT UNDER SECTION 193

OF THE

BUSINESS CORPORATIONS ACT (ALBERTA)

**ARTICLE 1
INTERPRETATION**

1.1 In this Plan of Arrangement, the following terms have the following meanings:

"**ABCA**" means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, including the regulations promulgated thereunder;

"**AcquisitionCo**" means 1551985 Alberta Ltd., a corporation incorporated under the ABCA and a wholly-owned subsidiary of Pengrowth Corporation;

"**AcquisitionCo Shares**" means common shares of AcquisitionCo;

"**Adjusted Weighted Average Trading Price**" shall be determined by dividing: (i) the aggregate dollar trading value of all Pengrowth Trust Units sold on the Toronto Stock Exchange over the five consecutive trading days ending on the day preceding the Effective Date; by (ii) the total number of Pengrowth Trust Units sold on the Toronto Stock Exchange during such period; and multiplying such amount by 0.8298;

"**AmalCo**" means the corporation resulting from the amalgamation described in paragraph 3.1(h) hereof;

"**Ancillary Rights**" means the optional exchange rights and voting rights granted to the trustee chosen by Pengrowth to act as trustee under the Voting and Exchange Trust Agreement for the use and benefit of the holders of Pengrowth Exchangeable Shares as contemplated by the terms of the Pengrowth Exchangeable Shares and the Voting and Exchange Trust Agreement;

"**Arrangement**", "**herein**", "**hereof**", "**hereto**", "**hereunder**" and similar expressions mean and refer to the proposed arrangement involving Pengrowth, Pengrowth Corporation, AcquisitionCo, Monterey and the Monterey Securityholders pursuant to section 193 of the ABCA, on the terms and conditions set forth in this Plan of Arrangement as supplemented, modified or amended, and not to any particular article, section or other portion hereof;

"**Arrangement Agreement**" means the arrangement agreement dated July 11, 2010 among Pengrowth, Pengrowth Corporation and Monterey with respect to the Arrangement, and all amendments thereto;

"**Articles of Arrangement**" means the articles of arrangement in respect of the Arrangement required under subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been made to give effect to the Arrangement;

"**Business Day**" means a day other than a Saturday, Sunday or other than a day when banks in the City of Calgary, Alberta are not generally open for business;

"**CCPC Option Shares**" means Monterey Shares that were acquired by a Monterey Shareholder on the exercise or deemed exercise of Monterey Options in circumstances such that subsection 7(1.1) of the Tax Act applied;

"**Certificate**" means the certificate or other confirmation of filing to be issued by the Registrar pursuant to subsection 193(11) of the ABCA giving effect to the Arrangement;

"**Court**" means the Court of Queen's Bench of Alberta;

"**Depository**" means Alliance Trust Company at its offices referred to in the Letter of Transmittal;

"**Dissent Rights**" means the right of a registered Monterey Securityholder to dissent to the resolution approving the Arrangement and to be paid the fair value of the Monterey Shares in respect of which the holder dissents, all in accordance with section 191 of the ABCA, the Interim Order and Article 5 hereof;

"**Dissenting Securityholders**" means, collectively, Dissenting Shareholders and Dissenting Optionholders;

"**Dissenting Shareholders**" means the registered Monterey Shareholders that validly exercise the Dissent Rights;

"**Dissenting Optionholders**" means the registered Monterey Optionholders that validly exercise the Dissent Rights;

"**Effective Date**" means the date the Arrangement is effective under the ABCA;

"**Effective Time**" means 12:01 a.m. (Calgary time) on the Effective Date;

"**Election Deadline**" means the time and date specified in the Letter of Transmittal to make the election specified in Section 3.1(e);

"**Exercise Price Differential**" means, in respect of a Monterey Option, the amount by which the Adjusted Weighted Average Trading Price exceeds the exercise price of such Monterey Option;

"**Final Order**" means the order of the Court approving the Arrangement pursuant to subsection 193(9) of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

"**Interim Order**" means an interim order of the Court concerning the Arrangement under subsection 193(4) of the ABCA, containing declarations and directions with respect to the Arrangement and the holding of the Monterey Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

"**Letter of Transmittal**" means the Letter of Transmittal enclosed with the Monterey Information Circular pursuant to which (i) Monterey Shareholders are required to deliver certificates representing Monterey Shares, and (ii) Monterey Securityholders make the

election specified in Section 3.1(e);

"Monterey" means Monterey Exploration Ltd., a corporation continued under the ABCA;

"Monterey Information Circular" means the management proxy circular of Monterey to be sent by Monterey to the Monterey Securityholders in connection with the Monterey Meeting;

"Monterey Meeting" means the special meeting of Monterey Securityholders to be held to consider the Arrangement and related matters, and any adjournments thereof;

"Monterey Option Plan" means the Monterey share option plan in effect on the date hereof and the agreements entered into thereunder;

"Monterey Optionholders" means holders of Monterey Options;

"Monterey Options" means options granted pursuant to the Monterey Option Plan;

"Monterey Securityholders" means, collectively, Monterey Shareholders and Monterey Optionholders;

"Monterey Shares" means common shares of Monterey;

"Monterey Shareholders" means the holders from time to time of Monterey Shares;

"Non-Resident Shareholder" means a Monterey Shareholder that is: (i) a person who is not a resident of Canada for the purposes of the Tax Act; or (ii) a partnership that is not a Canadian partnership for the purposes of the Tax Act;

"Parties" means, collectively, Pengrowth, Pengrowth Corporation, AcquisitionCo, and Monterey and **"Party"** means any one of them;

"Pengrowth" means Pengrowth Energy Trust, a trust formed under the laws of the Province of Alberta pursuant to an Amended and Restated Trust Indenture between Pengrowth Corporation and Computershare Trust Company of Canada which amends and restates the Trust Indenture dated December 2, 1988 (as previously amended);

"Pengrowth Corporation" means Pengrowth Corporation, a corporation amalgamated under the laws of the Province of Alberta;

"Pengrowth Distribution" means a distribution with respect to the Pengrowth Trust Units;

"Pengrowth Distribution Record Date" means the day on which holders of Pengrowth Trust Units are identified for purposes of determining entitlement to a Pengrowth Distribution;

"Pengrowth Exchangeable Shares" means exchangeable shares in the capital of Pengrowth Corporation having the rights, privileges, restrictions and conditions mutually agreeable to Pengrowth and Monterey, acting reasonably;

"Pengrowth Trust Units" means trust units of Pengrowth;

"Pengrowth Unitholders" means holders from time to time of Pengrowth Trust Units;

"Plan" or **"Plan of Arrangement"** means this plan of arrangement as amended or supplemented from time to time in accordance with the terms hereof and Article 6 of the Arrangement Agreement;

"Registrar" means the Registrar of Corporations duly appointed under the ABCA;

"Tax Act" means the *Income Tax Act* (Canada), R.S.C. 1985, c. 1 (5th Supp.), as amended, including the regulations promulgated thereunder, as amended from time to time; and

"Tax-Exempt Shareholder" means a Monterey Shareholder that is exempt from tax under Part I of the Tax Act.

- 1.2 The division of this Plan of Arrangement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement.
- 1.3 Unless reference is specifically made to some other document or instrument, all references herein to articles and sections are to articles and sections of this Plan of Arrangement.
- 1.4 Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all genders; and words importing persons shall include individuals, partnerships, associations, corporations, funds, unincorporated organizations, governments, regulatory authorities, and other entities.
- 1.5 In the event that the date on which any action is required to be taken hereunder by any of the Parties is not a Business Day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place.
- 1.6 References in this Plan of Arrangement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect.

ARTICLE 2 ARRANGEMENT AGREEMENT

- 2.1 This Plan of Arrangement is made pursuant and subject to the provisions of the Arrangement Agreement.
- 2.2 This Plan of Arrangement, upon the filing of the Articles of Arrangement and the issuance of the Certificate, will become effective on, and be binding on and after, the Effective Time on: (i) the Monterey Securityholders; (ii) Monterey; (iii) Pengrowth; (iv) Pengrowth Corporation; (v) AcquisitionCo; and (vi) AmalCo.

- 2.3 The Articles of Arrangement and Certificate shall be filed and issued, respectively, with respect to this Arrangement in its entirety. The Certificate shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of Article 4 has become effective in the sequence and at the times set out therein. If no Certificate is required to be issued by the Registrar pursuant to subsection 193(11) of the ABCA, the Arrangement shall become effective on the date the Articles of Arrangement are filed with the Registrar pursuant to subsection 193(10) of the ABCA at the Effective Time.

ARTICLE 3 ARRANGEMENT

- 3.1 Commencing at the Effective Time in one minute intervals, each of the events set out below shall occur and shall be deemed to occur in the following order without any further act or formality except as otherwise provided herein:
- (a) the Monterey Securities held by Dissenting Securityholders who have exercised Dissent Rights which remain valid immediately prior to the Effective Time shall be deemed to have been transferred to Monterey and cancelled and such Dissenting Securityholders shall cease to have any rights as Monterey Securityholders, other than the right to be paid the fair value of their Monterey Securities by Monterey in accordance with the Dissent Rights;
 - (b) each Monterey Option (other than Monterey Options held by or on behalf of a Dissenting Optionholder) that is not exercised by the holder thereof and is outstanding immediately before the Effective Time shall be deemed to be exercised for that number of Monterey Shares that is equal to the Exercise Price Differential divided by the Adjusted Weighted Average Trading Price;
 - (c) Pengrowth shall issue to AcquisitionCo such number of Pengrowth Trust Units as are required by AcquisitionCo to be delivered to holders of Monterey Shares pursuant to Sections 3.1(d), (e) and (f) in exchange for an unsecured subordinated promissory note of AcquisitionCo in the principal amount equal to the fair market value of such Pengrowth Trust Units so issued;
 - (d) each Monterey Share held by a Tax-Exempt Shareholder and each Monterey Share held by a Non-Resident Shareholder (in each case other than Monterey Shares held by or on behalf of a Dissenting Shareholder) will be transferred to AcquisitionCo in exchange for 0.8298 of a Pengrowth Trust Unit;
 - (e) subject to Section 3.2, each Monterey Share (other than Monterey Shares held by or on behalf of a Dissenting Shareholder), including Monterey Shares received by Monterey Optionholders upon the exercise or deemed exercise of Monterey Options but excluding: (A) CCPC Option Shares; and (B) Monterey Shares held by: (i) Non-Resident Shareholders; and (ii) Tax-Exempt Shareholders, shall be transferred to AcquisitionCo in accordance with the election or deemed election of the former holder of such Monterey Shares (other than Pengrowth Corporation which shall be deemed to have elected to receive one (1) AcquisitionCo Share for each Monterey Share) in exchange for:
 - (i) 0.8298 of a Pengrowth Trust Unit; or

- (ii) one (1) AcquisitionCo Share;
- (f) each CCPC Option Share (other than CCPC Option Shares held by or on behalf of a Dissenting Optionholder) shall be transferred to AcquisitionCo in exchange for 0.8298 of a Pengrowth Trust Unit;
- (g) each AcquisitionCo Share received by a Monterey Shareholder pursuant to Section 3.1(e) (other than AcquisitionCo Shares held by Pengrowth Corporation) shall be transferred to Pengrowth Corporation in exchange for 0.8298 of a Pengrowth Exchangeable Share, together with the Ancillary Rights; and
- (h) Monterey and AcquisitionCo shall be amalgamated and continued as one corporation, AmalCo, in accordance with the following:
 - (i) the Monterey Shares, all of which shall be owned by AcquisitionCo, shall be cancelled without any repayment of capital;
 - (ii) no securities shall be issued by AmalCo in connection with the amalgamation and for greater certainty, the AcquisitionCo Shares, all of which shall be owned by Pengrowth Corporation, shall survive and continue to be the common shares of AmalCo without amendment;
 - (iii) the articles of AmalCo shall be the same as the articles of AcquisitionCo, and the name of AmalCo shall be "Monterey Exploration Ltd.";
 - (iv) the registered office of AmalCo shall be located at 2100, 222 Third Avenue S.W., Calgary, Alberta, T2P 0B4;
 - (v) the property of each of the amalgamating corporations shall continue to be the property of AmalCo;
 - (vi) AmalCo shall continue to be liable for the obligations of the amalgamating corporations;
 - (vii) any existing cause of action, claim or liability to prosecution of any of the amalgamating corporations shall be unaffected;
 - (viii) any civil, criminal or administrative action or proceeding pending by or against any of the amalgamating corporations shall be able to be continued to be prosecuted by or against AmalCo;
 - (ix) a conviction against, or ruling, order or judgment in favour of or against, any of the amalgamating corporations shall be able to be enforced by or against AmalCo;
 - (x) the Articles of Amalgamation shall be deemed to be the Articles of Incorporation of AmalCo and the Certificate of Amalgamation shall be deemed to be the Certificate of Incorporation of AmalCo;
 - (xi) the by-laws of AmalCo shall be the by-laws of AcquisitionCo until repealed, altered or amended;

- (xii) the first directors of AmalCo shall be the persons whose names and municipality of residence appear below:

<u>Name</u>	<u>Municipality of Residence</u>
Derek W. Evans	Calgary, Alberta
Christopher G. Webster	Calgary, Alberta
Robert W. Rosine	Calgary, Alberta

- (xiii) the first officers of AmalCo shall be the officers of AcquisitionCo; and
- (xiv) the first auditors of AmalCo shall be KPMG LLP. The first auditors of AmalCo shall hold office until the first annual meeting of AmalCo following the amalgamation or until their successors are elected or appointed.

3.2 Subject to Section 3.3, with respect to the election required to be made by a former holder of Monterey Shares (including a former holder of Monterey Shares issued pursuant to Section 3.1(b)) pursuant to Section 3.1(e) of this Plan of Arrangement:

- (a) each of such holders of Monterey Shares shall make such election by depositing with the Depositary, prior to the Election Deadline, a duly completed Letter of Transmittal indicating such holder's election, together with certificates representing such holder's Monterey Shares, if applicable; and
- (b) any former holder of Monterey Shares who fails to comply with the requirements of Section 3.2(a) shall be deemed to have elected to have exchanged the Monterey Shares in accordance with the election set forth in Section 3.1(e)(i) hereof.

3.3 A holder who: (i) has exchanged Monterey Shares under the Arrangement; (ii) is not a Non-Resident Shareholder; (iii) is not a Tax-Exempt Shareholder; and (iv) has received Pengrowth Exchangeable Shares in whole or in part pursuant to the Arrangement; shall be entitled to make an income tax election, pursuant to subsection 85(1) or 85(2) of the Tax Act, as applicable (and the analogous provisions of provincial income tax law) with respect to the sale by the holder of such holder's AcquisitionCo Shares to Pengrowth Corporation by providing two signed copies of the necessary election forms to Pengrowth Corporation within 120 days following the Effective Date, duly completed with the details of the number of shares transferred and the applicable agreed amounts for the purposes of such elections in accordance with the restrictions set out in subsections 85(1) and (2) of the Tax Act, as applicable. Thereafter, the election forms will be signed by Pengrowth Corporation and returned to such former holders of Monterey Shares within 60 days after the receipt thereof by Pengrowth Corporation for filing with the Canada Revenue Agency (or the applicable provincial taxing authority). Pengrowth Corporation will not be responsible for the proper completion of any election form and, except for the obligation of Pengrowth Corporation to so sign and return election forms which are received by Pengrowth Corporation within 120 days of the Effective Date, Pengrowth Corporation will not be responsible for any taxes, interest or penalties resulting from the failure by a former holder of Monterey Shares to properly complete or file the election forms in the form and manner and within the time prescribed by the Tax Act (or any applicable provincial legislation). In its sole discretion, Pengrowth Corporation may

choose to sign and return an election form received by it more than 120 days following the Effective Date, but Pengrowth Corporation will have no obligation to do so.

- 3.4 In respect of the transfer in Section 3.1(e), Pengrowth Corporation shall, in its sole discretion, be permitted to make an election under Section 85 of the Tax Act (and the analogous provisions of provincial income tax law) with AcquisitionCo, subject to the limitations contained in the Tax Act (and the analogous provisions of provincial income tax law) with respect to the selection of elected amounts.
- 3.5 Pengrowth, Pengrowth Corporation, AcquisitionCo and Monterey, shall make the appropriate entries in their respective securities registers to reflect the matters referred to in section 3.1.
- 3.6 Pengrowth, Pengrowth Corporation, AcquisitionCo and the Depositary shall be entitled to deduct and withhold from any consideration otherwise payable to any Monterey Securityholder and, for greater certainty, from any amount payable to a Dissenting Securityholder, under this Plan of Arrangement such amounts as Pengrowth, Pengrowth Corporation, AcquisitionCo or the Depositary are required or reasonably believe to be required to deduct and withhold from such consideration in accordance with the Tax Act or any provision of any federal, provincial, local or foreign tax law, in each case, as amended. Any such amounts will be deducted and withheld from the consideration payable pursuant to this Plan of Arrangement and shall be treated for all purposes as having been paid to the Monterey Securityholder in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority.

ARTICLE 4 OUTSTANDING CERTIFICATES AND FRACTIONAL SECURITIES

- 4.1 From and after the Effective Time, certificates formerly representing Monterey Shares shall represent only the right to receive the consideration to which the holders are entitled under the Arrangement, or as to those held by Dissenting Shareholders, to receive the fair value of the Monterey Shares represented by such certificates.
- 4.2 Pengrowth and Pengrowth Corporation, as soon as practicable following the later of the Effective Date and the date of deposit by a former holder of Monterey Shares or Monterey Options of a duly completed Letter of Transmittal and the certificates representing such Monterey Shares, if applicable, either will:
 - (a) forward or cause to be forwarded by first class mail (postage prepaid) to such former holder at the address specified in the Letter of Transmittal; or
 - (b) if requested by such holder in the Letter of Transmittal, make available or cause to be made available at the Depositary for pickup by such holder;certificates representing the number of Pengrowth Trust Units and/or Pengrowth Exchangeable Shares issued to such holder under the Arrangement.
- 4.3 If any certificate which immediately prior to the Effective Time represented an interest in outstanding Monterey Shares that were cancelled pursuant to Section 3.1 has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming

such certificate to have been lost, stolen or destroyed, the Depositary will issue and deliver in exchange for such lost, stolen or destroyed certificate the consideration to which the holder is entitled pursuant to the Arrangement (and any dividends or distributions with respect thereto) as determined in accordance with the Arrangement. Unless otherwise agreed to by Pengrowth and Pengrowth Corporation, the person who is entitled to receive such consideration shall, as a condition precedent to the receipt thereof, give a bond to Pengrowth, Pengrowth Corporation and their transfer agent, which bond is in form and substance satisfactory to Pengrowth, Pengrowth Corporation and their transfer agent, or shall otherwise indemnify Pengrowth, Pengrowth Corporation and their transfer agent against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

- 4.4 All dividends and distributions made with respect to any Pengrowth Trust Units allotted and issued pursuant to this Arrangement but for which a certificate has not been issued shall be paid or delivered to the Depositary to be held by the Depositary in trust for the registered holder thereof. All monies received by the Depositary shall be invested by it in interest-bearing trust accounts upon such terms as the Depositary may reasonably deem appropriate. Subject to Section 4.5, the Depositary shall pay and deliver to any such registered holder, as soon as reasonably practicable after application therefor is made by the registered holder to the Depositary in such form as the Depositary may reasonably require, such distributions and any interest thereon to which such holder, is entitled, net of any applicable withholding and other taxes.
- 4.5 Any certificate formerly representing Monterey Shares that is not deposited with all other documents as required by this Plan of Arrangement on or before the fourth anniversary of the Effective Date shall cease to represent a right or claim of any kind or nature and, for greater certainty, the right of the holder of such Monterey Shares to receive certificates representing Pengrowth Trust Units and/or Pengrowth Exchangeable Shares shall be deemed to be surrendered to Pengrowth together with all dividends, distributions or cash payments thereon held for such holder.
- 4.6 No fractional Pengrowth Trust Units or Pengrowth Exchangeable Shares will be issued. In the event that a Monterey Securityholder would otherwise be entitled to a fractional Pengrowth Trust Unit or Pengrowth Exchangeable Shares hereunder, the number of Pengrowth Trust Units or Pengrowth Exchangeable Shares issued to such Monterey Securityholder shall be rounded to the nearest whole number of Pengrowth Trust Units or Pengrowth Exchangeable Shares, as applicable (other than in the case of CCPC Option Shares which, in all cases, will be rounded down to the nearest Pengrowth Trust Unit). For greater certainty, where such fractional interest is greater than or equal to 0.5, the number of Pengrowth Trust Units or Pengrowth Exchangeable Shares, as applicable, to be issued will be rounded up to the nearest whole number and where such fractional interest is less than 0.5, the number of Pengrowth Trust Units or Pengrowth Exchangeable Shares, as applicable, to be issued will be rounded down to the nearest whole number (other than in the case of CCPC Option Shares which, in all cases, will be rounded down to the nearest Pengrowth Trust Unit). In calculating such fractional interests, all Monterey Shares (including Monterey Shares received by Monterey Optionholders upon the exercise or deemed exercise of Monterey Options) registered in the name of or beneficially held by such Monterey Shareholder or their nominee shall be aggregated.

**ARTICLE 5
DISSENTING SECURITYHOLDERS**

- 5.1 Each registered holder of Monterey Securities, except Monterey Shares issued in accordance with Section 3.1(b), shall have the right to dissent with respect to the Arrangement in accordance with the Interim Order. A Dissenting Securityholder shall, at the Effective Time, cease to have any rights as a holder of Monterey Securities and shall only be entitled to be paid the fair value of the holder's Monterey Securities. A Dissenting Securityholder who, for any reason is not entitled to be paid the fair value of the holder's Monterey Securities, shall be treated as if the holder had participated in the Arrangement on the same basis as a non-dissenting holder of Monterey Securities, notwithstanding the provisions of section 191 of the ABCA. The fair value of the Monterey Securities shall be determined as of the close of business on the last business day before the day on which the Arrangement is approved by the holders of Monterey Securities at the Monterey Meeting or, if not the same day, the day the last approval is obtained; but in no event shall Monterey be required to recognize such Dissenting Securityholders as securityholders of Monterey after the Effective Time and the names of such holders shall be removed from the applicable Monterey register of securityholders as at the Effective Time. For greater certainty, in addition to any other restrictions in section 191 of the ABCA, no person who has voted in favour of the Arrangement shall be entitled to dissent with respect to the Arrangement.

**ARTICLE 6
AMENDMENTS**

- 6.1 Monterey, Pengrowth, Pengrowth Corporation and AcquisitionCo may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must be: (i) set out in writing; (ii) approved by the other parties; (iii) filed with the Court and, if made following the Monterey Meeting, approved by the Court; and (iv) communicated to holders of Monterey Shares if and as required by the Court.
- 6.2 Any amendment, modification or supplement to this Plan of Arrangement may be proposed by Monterey, Pengrowth, Pengrowth Corporation and AcquisitionCo at any time prior to or at the Monterey Meeting (provided that the other parties shall have consented thereto) with or without any other prior notice or communication, and if so proposed and accepted by the persons voting at the Monterey Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.
- 6.3 Any amendment, modification or supplement to this Plan of Arrangement that is approved by the Court following the Meeting shall be effective only if it is consented to by each of Monterey, Pengrowth, Pengrowth Corporation and AcquisitionCo.
- 6.4 Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Time but shall only be effective if it is consented to by each of Monterey, Pengrowth, Pengrowth Corporation and AcquisitionCo, provided that such amendment, modification or supplement concerns a matter which, in the reasonable opinion of Monterey, Pengrowth, Pengrowth Corporation and AcquisitionCo, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of the Monterey,

Pengrowth, Pengrowth Corporation and AcquisitionCo or any former holder of Monterey Shares or Monterey Options.

EXHIBIT "B"

ARRANGEMENT RESOLUTION

BE IT RESOLVED THAT:

1. the arrangement under Section 193 of the *Business Corporations Act* (Alberta) (the "**Arrangement**") substantially as set forth in the plan of arrangement (the "**Plan of Arrangement**") attached as Exhibit A to the Arrangement Agreement (as defined below) attached as Appendix C to the Information Circular of Monterey Exploration Ltd. (the "**Corporation**") dated August 11, 2010 (the "**Information Circular**") accompanying the notice of meeting is hereby authorized, approved, ratified and confirmed;
2. the arrangement agreement among the Corporation, Pengrowth Energy Trust and Pengrowth Corporation dated July 11, 2010 (the "**Arrangement Agreement**"), a copy of which is attached as Appendix C to the Information Circular accompanying the notice of meeting, with such amendments or variations thereto made in accordance with the terms of the Arrangement Agreement as may be approved by the persons referred to in paragraph 4 hereof, such approval to be evidenced conclusively by their execution and delivery of any such amendments or variations, is hereby authorized, approved, ratified and confirmed;
3. notwithstanding that this resolution has been duly passed and/or has received the approval of the Court of Queen's Bench of Alberta, the board of directors of the Corporation may, without further notice to or approval of the securityholders of the Corporation, subject to the terms of the Arrangement Agreement and the Arrangement, (i) amend or terminate the Arrangement Agreement or the Plan of Arrangement or (ii) revoke this resolution at any time prior to the filing of articles of arrangement giving effect to the Arrangement;
4. any director or officer of the Corporation is hereby authorized, for and on behalf of the Corporation, to execute and deliver articles of arrangement and to execute, with or without the corporate seal, and, if, appropriate, deliver all other documents and instruments and to do all other things as in the opinion of such director or officer may be necessary or desirable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument, and the taking of any such action; and
5. all actions heretofore taken by or on behalf of the Corporation in connection with any matter referred to in any of the foregoing resolutions which were in furtherance of the Arrangement are hereby approved, ratified and confirmed in all respects.

APPENDIX D

CORMARK FAIRNESS OPINION

August 10, 2010

Board of Directors
Monterey Exploration Ltd.
Suite 1000, 500-4th Ave SW
Calgary, Alberta
T2P 2V6

To the Board of Directors:

Cormark Securities Inc. (“Cormark Securities”) understands that Monterey Exploration Ltd. (“Monterey” or the “Company”) has entered into an agreement dated July 11, 2010 (the “Arrangement Agreement”) with Pengrowth Energy Trust (“Pengrowth”) and Pengrowth Corporation (“Pengrowth Corp.”) providing for, subject to certain conditions, the acquisition by Pengrowth of all of the issued and outstanding common shares (the “Monterey Shares”) of Monterey (the “Arrangement”).

Under the terms of the Arrangement Agreement, Cormark Securities understands:

- (a) the consideration offered to holders of Monterey Shares (“Monterey Shareholders”) will be (i) 0.8298 units (“Pengrowth Units”) of Pengrowth (the “Trust Unit Consideration”); (ii) 0.8298 (“Pengrowth Exchangeable Shares”) exchangeable shares of Pengrowth Corp. (the “Exchangeable Share Consideration”); or (iii) some combination of the Trust Unit Consideration and the Exchangeable Share Consideration (in each case the “Consideration”);
- (b) the Arrangement will be effected by way of a plan of arrangement under the *Business Corporations Act* (Alberta); and
- (c) the completion of the Arrangement will be conditional upon, among other things, approval of the Arrangement by at least two thirds of the votes cast by Monterey Shareholders who are present in person or represented by proxy at the special meeting (the “Meeting”) of Monterey Shareholders, a majority of the votes cast by Monterey Shareholders other than “Interested Parties” (as defined in Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions) and by the Court of Queen’s Bench of Alberta.

The specific terms and conditions of, and other matters related to, the Arrangement will be more fully described in a management information circular (the “Circular”) to be mailed to Monterey Shareholders in connection with the Meeting.

Cormark Securities understands that certain members of the board of directors of the Company (the “Board”) and management of the company own Monterey Shares representing approximately 13.1% of the issued and outstanding Monterey Shares and have entered into support agreements (the “Lock-up Agreements”) pursuant to which each has agreed to vote the Monterey Shares held by them in favour of the Arrangement.

Cormark Securities understand that Pengrowth owns 8,990,642 Monterey Shares representing approximately 19.6% of the issued and outstanding Monterey Shares.

The Board has retained Cormark Securities to provide financial advice and assistance to the Board and the Company in connection with the Arrangement, including the preparation and delivery to the Board of Cormark Securities’ opinion as to the fairness of the Consideration to be received pursuant to the Arrangement, from a financial point of view, to Monterey Shareholders (the “Fairness Opinion”).

CORMARK SECURITIES' ENGAGEMENT

Cormark Securities was initially engaged pursuant to a letter agreement dated May 3, 2010 (the "Engagement Agreement") with respect to acting as financial advisor to the Company and the Board in connection with the examination of potential strategic alternatives available to Monterey. As part of our engagement Cormark Securities solicited a number of potentially interested parties regarding a potential transaction with the Company or with respect to its assets. Cormark Securities also established and maintained a dataroom to facilitate due diligence by such potentially interested parties and assisted the Board in assessing expressions of interest received and negotiating the financial terms of the Arrangement. Pursuant to the terms of the Engagement Agreement, Cormark Securities is to be paid a fee for its services as financial advisor, including the delivery of the Fairness Opinion, and that such fees are contingent on the completion of the Arrangement. In addition, Cormark Securities is to be reimbursed for its reasonable out-of-pocket expenses and is to be indemnified by the Company, in certain circumstances, against certain expenses, losses, claims, actions, damages and liabilities incurred in connection with the provision of its services under the Engagement Agreement.

CREDENTIALS OF CORMARK SECURITIES

Cormark Securities is an independent Canadian investment dealer providing investment research, equity sales and trading and investment banking services to a broad range of institutions and corporations. Cormark Securities has participated in a significant number of transactions involving public and private companies and income funds and has extensive experience in preparing fairness opinions.

The Fairness Opinion expressed herein represents the opinion of Cormark Securities and its form and content have been approved for release by a committee of its directors and officers, each of whom are experienced in merger, acquisition, divestiture, fairness opinion and capital market matters.

RELATIONSHIP WITH INTERESTED PARTIES

Neither Cormark Securities, nor any of its affiliates, is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Alberta)) of Monterey, Pengrowth, Pengrowth Corp. or any of their respective associates or affiliates (collectively, the "Interested Parties").

As of the date of this Fairness Opinion, Cormark Securities has not been engaged to provide any financial advisory services nor has it participated in any financings involving Monterey, Pengrowth, Pengrowth Corp. or any of their respective affiliates or associates, within the past two years, other than (i) services provided pursuant to the Engagement Agreement (ii) Monterey's common share financing that closed on February 19, 2010 (iii) the common share and flow-through share financing that closed on October 1, 2009 (iv) financial advisory services to Monterey in its business combination with Upper Lake Oil & Gas Ltd. ("Upper Lake") which closed on August 29, 2008 (v) Pengrowth's trust unit financing that closed on October 23, 2009.

There are no understandings, agreements or commitments between Cormark Securities and Monterey, Pengrowth, Pengrowth Corp. or any other Interested Party, with respect to any future business dealings. Cormark Securities may, in the future, in the ordinary course of its business, perform financial advisory or investment banking services for Monterey, Pengrowth or any other Interested Party.

Cormark Securities acts as a securities trader and dealer, both as principal and agent, in major financial markets and, as such, may have had, may have and may in the future have long or short positions in securities of Monterey, Pengrowth, Pengrowth Corp. or other Interested Parties and, from time to time, may have executed or may execute transactions on behalf of such companies or clients for which it may have received or may receive compensation. As an investment dealer, Cormark Securities conducts research on securities and may, in the ordinary course of business, provide research reports and investment advice to its clients on investment matters, including with respect to Monterey, Pengrowth or the Arrangement.

SCOPE OF REVIEW

In connection with this Fairness Opinion, Cormark Securities has reviewed and relied upon (without verifying or attempting to verify independently the completeness or accuracy thereof) or carried out, among other things, the following:

- (a) the Pengrowth letter of intent to acquire Monterey dated June 29, 2010;
- (b) the Arrangement Agreement dated July 11, 2010 (including the representations and warranties of Monterey and Pengrowth therein) and the accompanying Disclosure Letter dated July 11, 2010 and the supplemental Disclosure Letter dated July 23, 2010;
- (c) the Lock-up Agreements entered into by certain members of the Board and management;
- (d) the independent evaluation of the oil and gas reserves of Monterey prepared by GLJ Petroleum Consultants Ltd. (“GLJ”) as at December 31, 2009 mechanically updated to April 1, 2010 and the independent evaluation of the oil and gas reserves of Monterey at Groundbirch prepared by GLJ as at April 1, 2010;
- (e) the independent evaluation of the oil and gas reserves of Pengrowth prepared by GLJ as at December 31, 2009;
- (f) the independent evaluation of the discovered petroleum initially-in-place of Monterey in the Upper Montney formation prepared by GLJ effective April 21, 2010;
- (g) a schedule of Monterey’s undeveloped land holdings as provided by Monterey’s management;
- (h) the independent evaluation of non-reserve oil and gas properties of Monterey prepared by Seaton – Jordon & Associates Ltd. as at December 31, 2009;
- (i) the audited financial statements of Monterey for each of the years ended December 31, 2008 and December 31, 2009;
- (j) the management discussion and analysis of Monterey for each of the years ended December 31, 2008 and December 31, 2009;
- (k) the audited financial statements of Pengrowth for each of the years ended December 31, 2008 and 2009;
- (l) the management discussion and analysis of Pengrowth for each of the years ended December 31, 2008 and 2009;
- (m) the unaudited interim financial statements and management discussion and analysis of Monterey for each of the quarters ended March 31, 2009, June 30, 2009, September 30, 2009, March 31, 2010 and June 30, 2010;
- (n) the unaudited interim financial statements and management discussion and analysis of Pengrowth for each of the quarters ended March 31, 2009, June 30, 2009, September 30, 2009, March 31, 2010 and June 30, 2010;
- (o) the annual information forms for Monterey for each of the years ended December 31, 2008 and 2009;
- (p) the annual information forms for Pengrowth for each of the years ended December 31, 2008 and 2009;
- (q) the management information circulars for Monterey in connection with the annual meeting of

- Monterey Shareholders held in each of 2008 and 2009;
- (r) the management information circular for Monterey in connection with the annual meeting of Upper Lake shareholders and notice of petition to the Court of Queen's Bench of Alberta with respect to a Plan of Arrangement involving Upper Lake and Monterey dated August 1, 2008;
 - (s) the management information circulars for Pengrowth in connection with the annual meeting of shareholders of Pengrowth held in each of 2009 and 2010;
 - (t) all press releases issued by Monterey since August 29, 2008;
 - (u) all press releases issued by Pengrowth since January 1, 2008;
 - (v) all other public filings submitted by Monterey to the securities commissions or similar regulatory authorities in Canada which are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") since January 1, 2008;
 - (w) all other public filings submitted by Pengrowth to securities commissions or similar regulatory authorities in Canada which are available on SEDAR since January 1, 2008;
 - (x) certain discussions with and confidential information made available by Monterey concerning the business, operations, assets, liabilities and prospects of Monterey;
 - (y) certain discussions with and confidential information made available by Pengrowth concerning the business, operations, assets, liabilities and prospects of Pengrowth;
 - (z) corporate presentations by the managements of Pengrowth and Monterey concerning their respective assets and business plans;
 - (aa) meetings and discussions with the Board and the special committee to the Board of Monterey;
 - (bb) due diligence questions and responses for Pengrowth prepared by Pengrowth management;
 - (cc) a certificate dated August 9, 2010 as to certain factual matters and the completeness and accuracy of the information upon which this Fairness Opinion is based, addressed to us and provided by senior officers of Monterey;
 - (dd) the current oil and gas price forecasts of independent reservoir engineering firms;
 - (ee) the current prices of oil and gas futures contracts;
 - (ff) public information (including corporate presentations and information prepared by industry research analysts) related to the business, operations, financial performance and trading history of Monterey, Pengrowth and such other selected oil and gas companies as we considered relevant;
 - (gg) public information with respect to precedent transactions of a comparable nature which we considered relevant;
 - (hh) certain discussions and negotiations with representatives of certain other parties, and their financial advisors, that expressed an interest in an acquisition of the Company or certain of its assets; and
 - (ii) such other information, made such other investigations, prepared such other analyses and had such other discussions as we considered appropriate in the circumstances.

Cormark Securities has not, to the best of its knowledge, been denied access by the Company to any information requested by Cormark Securities.

PRIOR VALUATIONS

Pengrowth is an “interested party” within the meaning of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* (“MI 61-101”). As a result, MI 61-101 requires a formal valuation of the Monterey Shares. The special committee to the Board of Monterey retained Wellington West Capital Markets Inc. (“Wellington West”) to conduct a formal valuation of the common shares of the Company (the “Wellington West Valuation”). Based upon and subject to the assumptions made, matters considered and limitations on the review undertaken as set out in the Wellington West Valuation dated August 11, 2010, Wellington West is of the opinion that the fair market value of the Monterey Shares is in the range of \$7.19 to \$9.52 per share.

The Company has represented to Cormark Securities that, among other things, it has no knowledge of any other prior valuations or appraisals (as defined in MI 61-101) of the Company or its material assets or its securities in the past twenty-four month period.

ASSUMPTIONS AND LIMITATIONS

Cormark Securities has not been asked to prepare and has not prepared a formal valuation of Monterey or Pengrowth or any of their respective securities or assets, and the Fairness Opinion should not be construed as such. Cormark Securities has, however, conducted such analyses as it considered necessary in the circumstances. In addition, the Fairness Opinion is not, and should not be construed as, advice as to the price at which the Monterey Shares or Pengrowth Units may trade at any future date. Cormark Securities was similarly not engaged to review any legal, tax or accounting aspects of the Arrangement. Cormark Securities has relied upon, without independent verification or investigation, the assessment by the Company and its legal, tax, regulatory and accounting advisors with respect to legal, tax, regulatory and accounting matters. In addition, the Fairness Opinion does not address the relative merits of the Arrangement as compared to any other transaction involving the Company, the prospects or likelihood of any alternative transaction or any other possible transaction involving the Company, its assets or its securities.

With the approval of the Board and as is provided for in the Engagement Agreement, Cormark Securities has relied upon the completeness, accuracy and fair presentation of all of the financial and other information, data, advice, opinions and representations obtained by it from public sources or provided to it by or on behalf of the Company and its directors, officers, agents and advisors or otherwise (collectively, the “Information”) and Cormark Securities has assumed that the Information did not omit to state any material fact or any fact necessary to be stated to make that Information not misleading. The Fairness Opinion is conditional upon the completeness, accuracy and fair presentation of such Information including as to the absence of any undisclosed material change. Subject to the exercise of professional judgment and except as expressly described herein, Cormark Securities has not attempted to independently verify or investigate the completeness, accuracy or fair presentation of any of the Information.

With respect to financial and operating forecasts, projections, estimates and/or budgets provided to Cormark Securities and used in the analyses supporting the Fairness Opinion, Cormark Securities has noted that projecting future results of any company is inherently subject to uncertainty. Cormark Securities has assumed that such forecasts, projections, estimates and/or budgets were reasonably prepared consistent with industry practice on a basis reflecting the best currently available assumptions, estimates and judgments of management of the Company as to the future financial performance of the Company and are (or were at the time and continue to be) reasonable in the circumstances. In rendering the Fairness Opinion, Cormark Securities expresses no view as to the reasonableness of such forecasts, projections, estimates and/or budgets or the assumptions on which they are based.

Senior officers of the Company have represented to Cormark Securities in a certificate delivered as of the date hereof, among other things, that:

- (a) the information, data and other material (financial and otherwise) (the “Information”) provided orally by, or in the presence of, an officer of the Company or in writing by the Company or any of its

subsidiaries (as such term is defined in the Securities Act (Alberta)) or their respective agents to Cormark Securities relating to the Company, or any of its subsidiaries or the Arrangement (as defined in the Engagement Letter) for the purpose of preparing the Fairness Opinion (as defined in the Engagement Letter) was, at the date the Information was provided to Cormark Securities, and is complete, true and correct in all material respects, and did not and does not contain any untrue statement of a material fact in respect of the Company, its subsidiaries or the Arrangement and did not and does not omit to state a material fact in respect of the Company, its subsidiaries or the Arrangement necessary to make the Information (taken as a whole) not misleading in light of the circumstances under which the Information was made or provided (except to the extent that any such Information has been superseded by Information subsequently delivered to Cormark Securities);

- (b) since the dates on which the Information was provided to Cormark Securities, except as disclosed in writing to Cormark Securities or in a public filing with securities regulatory authorities, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Company and its subsidiaries (taken as a whole) and no material change has occurred in the Information or any part thereof which would, to their knowledge, have or which would reasonably be expected to have a material effect on the Fairness Opinion;
- (c) to the best of their knowledge, information and belief after due inquiry, there are no independent appraisals or valuations or material non-independent appraisals or valuations relating to the Company or any of its subsidiaries or any of their respective material assets or liabilities which have been prepared as of a date within the two years preceding the date hereof and which have not been provided to Cormark Securities;
- (d) since the dates on which the Information was provided to Cormark Securities, no material transaction has been entered into by the Company, or any of its subsidiaries or contemplated by the Company, or any of its subsidiaries except for transactions that have been disclosed to Cormark Securities or generally disclosed;
- (e) the assumptions contained in any forecasts, projections or budgets prepared and provided by the Company to Cormark Securities were reasonable as of the date thereof; and
- (f) except as disclosed to Cormark Securities, to their knowledge, there are no actions, suits, proceedings or inquiries pending or threatened against or affecting the Company or its affiliates, at law or in equity or before or by any federal, provincial, municipal or other governmental department, commission, board, bureau, agency or instrumentality which in any way materially affect the Company or the value of any of its securities.

In its analyses and in preparing the Fairness Opinion, Cormark Securities has made numerous assumptions with respect to expected industry performance, general business and economic conditions and other matters, many of which are beyond the control of Cormark Securities or any party involved in the Arrangement. Cormark Securities has also assumed that the disclosure provided or incorporated by reference in the Circular, and any other documents in connection with the Arrangement will be accurate in all material respects and will comply with the requirements of all applicable laws, that all of the conditions required to implement the Arrangement will be met, that the procedures being followed to implement the Arrangement are valid and effective, and that the Circular will be distributed to Monterey Shareholders in accordance with applicable laws.

The Fairness Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at the date hereof and the condition and prospects, financial and otherwise, of the Company and its affiliates, as they were reflected in the Information and as they have been represented to Cormark Securities in discussions with management of the Company.

The Fairness Opinion is not to be reproduced, disseminated, quoted from or referred to (in whole or in part) without the express prior written consent of Cormark Securities. Cormark Securities hereby consents to the reference to

Cormark Securities and the description of, reference to and reproduction of the Fairness Opinion in the Circular prepared in connection with the Arrangement for delivery to Monterey Shareholders and filing with the securities commissions or similar regulatory authorities in each relevant province and territory of Canada.

Cormark Securities believes that the Fairness Opinion must be considered and reviewed as a whole and that selecting portions of the analyses or factors considered by Cormark Securities, without considering all the analyses and factors together, could create a misleading view of the process underlying the Fairness Opinion. The preparation of a fairness opinion is a complex process and is not necessarily amenable to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. The Fairness Opinion is not to be construed as a recommendation to any Monterey Shareholder as to whether or not to vote in favour of the Arrangement.

The Fairness Opinion is given as of the date hereof and Cormark Securities disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Fairness Opinion which may come or be brought to Cormark Securities' attention after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Fairness Opinion after the date hereof, Cormark Securities reserves the right to change, modify or withdraw the Fairness Opinion.

FAIRNESS OPINION

Based upon and subject to the foregoing, Cormark Securities is of the opinion that, as at of the date hereof, the Consideration to be received pursuant to the Arrangement is fair, from a financial point of view, to the Monterey Shareholders.

Yours very truly,

A handwritten signature in blue ink that reads "Cormark Securities Inc." in a cursive script.

CORMARK SECURITIES INC.

APPENDIX E

SECTION 191 OF THE *BUSINESS CORPORATIONS ACT* (ALBERTA)

191(1) Subject to Sections 192 and 242, a holder of shares of any class of a corporation may dissent if the corporation resolves to

- (a) amend its articles under Section 173 or 174 to add, change or remove any provisions restricting or constraining the issue or transfer of shares of that class,
- (b) amend its articles under Section 173 to add, change or remove any restrictions on the business or businesses that the corporation may carry on,
- (b.1) amend its articles under Section 173 to add or remove an express statement establishing the unlimited liability of shareholders as set out in Section 15.2(1),
- (c) amalgamate with another corporation, otherwise than under Section 184 or 187,
- (d) be continued under the laws of another jurisdiction under Section 189, or
- (e) sell, lease or exchange all or substantially all its property under Section 190.

(2) A holder of shares of any class or series of shares entitled to vote under Section 176, other than Section 176(1)(a), may dissent if the corporation resolves to amend its articles in a manner described in that section.

(3) In addition to any other right the shareholder may have, but subject to subsection (20), a shareholder entitled to dissent under this section and who complies with this section is entitled to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the last business day before the day on which the resolution from which the shareholder dissents was adopted.

(4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the shareholder or on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

(5) A dissenting shareholder shall send to the corporation a written objection to a resolution referred to in subsection (1) or (2)

- (a) at or before any meeting of shareholders at which the resolution is to be voted on, or
- (b) if the corporation did not send notice to the shareholder of the purpose of the meeting or of the shareholder's right to dissent, within a reasonable time after the shareholder learns that the resolution was adopted and of the shareholder's right to dissent.

(6) An application may be made to the Court by originating notice after the adoption of a resolution referred to in subsection (1) or (2),

- (a) by the corporation, or
- (b) by a shareholder if the shareholder has sent an objection to the corporation under subsection (5),

to fix the fair value in accordance with subsection (3) of the shares of a shareholder who dissents under this section, or to fix the time at which a shareholder of an unlimited liability corporation who dissents under this section ceases to become liable for any new liability, act or default of the unlimited liability corporation.

(7) If an application is made under subsection (6), the corporation shall, unless the Court otherwise orders, send to each dissenting shareholder a written offer to pay the shareholder an amount considered by the directors to be the fair value of the shares.

(8) Unless the Court otherwise orders, an offer referred to in subsection (7) shall be sent to each dissenting shareholder

- (a) at least 10 days before the date on which the application is returnable, if the corporation is the applicant, or
- (b) within 10 days after the corporation is served with a copy of the originating notice, if a shareholder is the applicant.

(9) Every offer made under subsection (7) shall

- (a) be made on the same terms, and
- (b) contain or be accompanied with a statement showing how the fair value was determined.

(10) A dissenting shareholder may make an agreement with the corporation for the purchase of the shareholder's shares by the corporation, in the amount of the corporation's offer under subsection (7) or otherwise, at any time before the Court pronounces an order fixing the fair value of the shares.

(11) A dissenting shareholder

- (a) is not required to give security for costs in respect of an application under subsection (6), and
- (b) except in special circumstances must not be required to pay the costs of the application or appraisal.

(12) In connection with an application under subsection (6), the Court may give directions for

- (a) joining as parties all dissenting shareholders whose shares have not been purchased by the corporation and for the representation of dissenting shareholders who, in the opinion of the Court, are in need of representation,
- (b) the trial of issues and interlocutory matters, including pleadings and examinations for discovery,
- (c) the payment to the shareholder of all or part of the sum offered by the corporation for the shares,
- (d) the deposit of the share certificates with the Court or with the corporation or its transfer agent,
- (e) the appointment and payment of independent appraisers, and the procedures to be followed by them,
- (f) the service of documents, and
- (g) the burden of proof on the parties.

(13) On an application under subsection (6), the Court shall make an order

- (a) fixing the fair value of the shares in accordance with subsection (3) of all dissenting shareholders who are parties to the application,

- (b) giving judgment in that amount against the corporation and in favour of each of those dissenting shareholders,
- (c) fixing the time within which the corporation must pay that amount to a shareholder, and
- (d) fixing the time at which a dissenting shareholder of an unlimited liability corporation ceases to become liable for any new liability, act or default of the unlimited liability corporation.

(14) On

- (a) the action approved by the resolution from which the shareholder dissents becoming effective,
- (b) the making of an agreement under subsection (10) between the corporation and the dissenting shareholder as to the payment to be made by the corporation for the shareholder's shares, whether by the acceptance of the corporation's offer under subsection (7) or otherwise, or
- (c) the pronouncement of an order under subsection (13),

whichever first occurs, the shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shareholder's shares in the amount agreed to between the corporation and the shareholder or in the amount of the judgment, as the case may be.

(15) Subsection (14)(a) does not apply to a shareholder referred to in subsection (5)(b).

(16) Until one of the events mentioned in subsection (14) occurs,

- (a) the shareholder may withdraw the shareholder's dissent, or
- (b) the corporation may rescind the resolution,

and in either event proceedings under this section shall be discontinued.

(17) The Court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder, from the date on which the shareholder ceases to have any rights as a shareholder by reason of subsection (14) until the date of payment.

(18) If subsection (20) applies, the corporation shall, within 10 days after

- (a) the pronouncement of an order under subsection (13), or
- (b) the making of an agreement between the shareholder and the corporation as to the payment to be made for the shareholder's shares,

notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(19) Notwithstanding that a judgment has been given in favour of a dissenting shareholder under subsection (13)(b), if subsection (20) applies, the dissenting shareholder, by written notice delivered to the corporation within 30 days after receiving the notice under subsection (18), may withdraw the shareholder's notice of objection, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to the shareholder's full rights as a shareholder, failing which the shareholder retains a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

(20) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

- (a) the corporation is or would after the payment be unable to pay its liabilities as they become due, or
- (b) the realizable value of the corporation's assets would by reason of the payment be less than the aggregate of its liabilities.

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APPENDIX F
FORMAL VALUATION

August 11, 2010

The Special Committee of the Board of Directors
Monterey Exploration Ltd.
Suite 1000, 500-4th Avenue SW
Calgary, Alberta
T2P 2V6

Dear Sirs:

Wellington West Capital Markets Inc. (“WWCM”) understands that Monterey Exploration Ltd. (“Monterey”) has entered into a definitive agreement with Pengrowth Corporation (“Pengrowth Corp.”), the administrator of Pengrowth Energy Trust (“Pengrowth”) dated effective July 11, 2010 (the “Arrangement Agreement”) pursuant to which Pengrowth Corp. will acquire all of the issued and outstanding common shares of Monterey (“Monterey Shares”) not currently owned by Pengrowth in exchange for either (i) 0.8298 of a Pengrowth trust unit or (ii) 0.8298 of an exchangeable share of Pengrowth Corp., with each exchangeable share being exchangeable for one Pengrowth trust unit (the “Transaction”), by way of a court-approved plan of arrangement (the “Arrangement”) under the Business Corporations Act (Alberta). WWCM has assumed that the final terms of the Transaction will be substantially the same as the Arrangement Agreement provided to WWCM for review.

The specific terms and conditions of the Transaction are described in further detail in the management information circular (the “Circular”) prepared by Monterey which will be mailed to the shareholders of Monterey (the “Monterey Shareholders”) in connection with the special meeting of the Shareholders to be held to approve the Transaction. WWCM understands and consents that this letter may be included and referenced in the Circular.

WWCM understands that the board of directors of Monterey (the “Board of Directors”) has appointed a special committee (the “Special Committee”) to consider the Transaction and to make recommendations thereon to the Board of Directors. WWCM was advised by the Special Committee that the Transaction is a “related party” transaction within the meaning of Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions (“MI 61-101”).

The Special Committee has retained WWCM to assist in evaluating the Transaction, including the preparation and delivery to the Special Committee of a formal valuation of Monterey (the “Valuation”) in accordance with MI 61-101. Subject to the availability of an exemption under MI 61-101, MI 61-101 requires that a formal valuation include a valuation of any non-cash consideration being offered as part of the transaction. WWCM has been advised by the Special Committee, after consultation with its legal counsel, that in the case of the Arrangement, an exemption is available in respect of the requirement to provide a formal valuation for the non-cash consideration under Section 6.3(2)(c) of MI 61-101. Accordingly, WWCM has not included in the Valuation a valuation of the consideration to be received by the Monterey Shareholders pursuant to the Arrangement.

All dollar amounts herein are expressed in Canadian dollars, unless stated otherwise.

WWCM ENGAGEMENT AND BACKGROUND

WWCM was initially contacted regarding the proposed Transaction on June 29, 2010. WWCM was formally engaged to act as independent valuator to the Special Committee pursuant to an agreement dated June 30, 2010 (the "Engagement Agreement"). On July 9, 2010 and August 9, 2010 WWCM verbally presented the Valuation to the Special Committee. The Valuation provides the same opinions, in writing, as of July 11, 2010. The terms of the Engagement Agreement provide that WWCM is to be paid a fee for its service and will be reimbursed for out of pocket expenses upon submission of the Valuation. In addition, Monterey has agreed to indemnify WWCM, its subsidiaries and affiliates, and their respective officers, directors, employees and agents, against certain expenses, losses, claims, actions, damages and liabilities arising from the Engagement Agreement. The fee payable to WWCM is not contingent upon the completion of the Transaction.

Subject to the terms of the Engagement Agreement, WWCM consents to the inclusion of the Valuation in its entirety, together with a summary thereof in a form acceptable to WWCM, acting reasonably, in the Circular and, documents filed with the securities commissions or similar regulatory authorities in each relevant province of Canada.

CREDENTIALS AND INDEPENDENCE OF WWCM

WWCM is a Canadian investment dealer with a sales, trading, research and corporate finance focus providing services for both institutional investors and corporations. WWCM was founded in 2004 and is a member of the Toronto Stock Exchange, the TSX Venture Exchange, the Investment Industry Regulatory Organization of Canada ("IIROC"), and the Canadian Investor Protection Fund. WWCM has participated in many transactions involving both public and private companies.

The Valuation expressed herein represents the opinion of WWCM and the form and content thereof have been approved for release by a committee of directors and other professionals of WWCM, each of whom is experienced in mergers, business combinations, divestitures, valuations and fairness opinion matters.

None of WWCM, its associates or affiliates, is an insider, associate, affiliate or related entity (as those terms are defined in the Securities Act (Alberta)) of Monterey, Pengrowth or any of their respective associates or affiliates (collectively, "Interested Parties"). WWCM is not an advisor or independent valuator to any person or company other than to the Special Committee with respect to the Transaction. WWCM has not provided any financial advisory services to Monterey, Pengrowth, or any of their respective associates or affiliates for which it has received compensation in the past twenty-four months, other than as disclosed herein. There are no understandings, agreements or commitments between WWCM and Monterey, Pengrowth, Pengrowth Corp. or any other Interested Party, with respect to any future business dealings.

WWCM may, in the ordinary course of its business, provide financial advisory or investment banking services to Monterey. In addition, during the ordinary course of business, WWCM may actively trade common shares and other securities of Monterey for its own account and for the accounts of WWCM's clients and, accordingly, may at any time hold a long or short position in such securities. As an investment dealer, WWCM conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including those related to any of Monterey or the Transaction.

WWCM has been involved in the following financing and advisory mandates for Monterey and Pengrowth during the past 24 months:

Closing Date	Company	Transaction	Size (\$mm)	WWCM's Role
1-Oct-09	Monterey Exploration Ltd.	Common & Flow-Through Share Offering	\$16.1	Co-Manager
19-Feb-10	Monterey Exploration Ltd.	Common Share Offering	\$20.0	Co-Manager

SCOPE OF THE REVIEW

In connection with this Valuation, WWCM has reviewed and relied upon and in some cases carried out, among other things, the following:

- (i) the Arrangement Agreement;
- (ii) the Circular;
- (iii) the independent evaluation of the oil and gas reserves of Monterey prepared by GLJ Petroleum Consultants Ltd. ("GLJ") as at December 31, 2009 (the "GLJ Report") with an updated mechanical update effective April 1, 2010 (together with the GLJ Report, the "Monterey Reserve Report") including an evaluation of oil and gas reserves of Monterey for its Groundbirch asset under differing processing scenarios;
- (iv) the independent resource evaluation of the oil and gas reserves of Monterey for its Groundbirch asset in the Upper Montney formation, prepared by GLJ effective April 21, 2010 (the "Montney Resource Evaluation");
- (v) independent valuation of undeveloped lands effective December 31, 2009 and dated January 18, 2010 and prepared by Seaton-Jordan & Associates Ltd. (the "Seaton-Jordan Report");
- (vi) Monterey's current hedging contracts as provided by Monterey management;
- (vii) unaudited financial statements of Monterey for the three and six month periods ended June 30, 2010, including the notes thereto, and associated management discussion and analysis;
- (viii) unaudited financial statements of Monterey for the three month period ended March 31, 2010, including the notes thereto, and associated management discussion and analysis;
- (ix) audited financial statements of Monterey for each of the years ended December 31, 2009, 2008 and 2007, including comparative information for preceding periods and the notes thereto;
- (x) annual report of Monterey for each of years of 2008 and 2009;
- (xi) revised annual information form for Monterey for the year ended December 31, 2008 and dated March 19, 2009; and the annual information form for Monterey for the year ended December 31, 2009 and dated March 18, 2010;
- (xii) management proxy circular for Monterey dated April 11, 2010 for the annual meeting of Monterey Shareholders held May 26, 2010;
- (xiii) all press releases of Monterey since August 29, 2008;
- (xiv) all material change reports of Monterey since January 1, 2010;
- (xv) final short form prospectus of Monterey dated February 12, 2010 relating to the issuance of 4,762,000 common shares at a price of \$4.20 per common share for gross proceeds of \$20,000,400;
- (xvi) certain internal information made available by Monterey concerning the business, operations, assets, liabilities and prospects of Monterey;

- (xvii) discussions with Monterey management with regard to, among other things, the business, operations, quality of assets and future potential of Monterey;
- (xviii) current oil and gas price forecasts of independent reservoir engineering firms;
- (xix) current prices of oil and gas futures contracts;
- (xx) public information (including corporate presentations and the information prepared by industry research analysts) related to the business, operations, financial performance and trading history of Monterey and other selected oil and gas companies, as we considered relevant;
- (xxi) public information with respect to precedent transactions of a comparable nature which we considered relevant; and
- (xxii) such other information, made such other investigations, prepared such other analyses and had such other discussions as we considered appropriate in the circumstances; and
- (xxiii) a certificate of representation as to certain factual matters and the completeness and accuracy of the information upon which the Valuation is based, addressed to WWCM and provided by senior officers of Monterey.

WWCM has not, to the best of its knowledge, been denied access by Monterey to any information requested. WWCM did not meet with the auditors or independent reserve evaluators of Monterey and has assumed the accuracy and fair presentation of the audited consolidated financial statements of Monterey, the reports of the auditors thereon and the independent evaluation of oil and gas reserves of Monterey.

ASSUMPTIONS AND LIMITATIONS

With the approval of the Special Committee and, as provided in the Engagement Agreement, WWCM has relied, without independent verification, upon all financial and other information that was obtained from public sources or that was provided to us by Monterey and its affiliates, associates, advisors or otherwise. WWCM has assumed that this information was complete and accurate as of the date thereof and did not omit to state any material fact or any fact necessary to be stated to make that information not misleading. This Valuation is conditional upon such completeness and accuracy. In accordance with the terms of our engagement, but subject to the exercise of WWCM's professional judgment, WWCM has not conducted any independent investigation to verify the completeness or accuracy of such information. With respect to the financial forecasts and budgets provided to us and used in our analysis, WWCM has assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of management of Monterey ("Management") as to the matters covered thereby. Senior representatives of Monterey have represented to us, in a certificate of three senior officers of Monterey delivered as of the date hereof, among other things, that the information, opinions and other materials (the "Information") provided to us by, or on behalf of Monterey, are complete and accurate as of the date of the Information and that, since the date of the Information, except as publicly disclosed, there has been no material change, financial or otherwise, in Monterey or the financial position, or in its assets, liabilities (contingent or otherwise), business or operations and there has been no change in any material fact which is of a nature as to render the Information untrue or misleading in any material respect except to the extent disclosed in subsequent Information.

This Valuation is based on the securities markets, economic, general business and financial conditions prevailing as of the date of the Valuation and the conditions and prospects, financial and otherwise, of Monterey as they were reflected in the Information reviewed by us. In its analyses and in preparing the Valuation, WWCM has made a number of assumptions with respect to industry performance, general business and economic conditions, and other matters, many of which are beyond the control of WWCM, Monterey and

any other party involved in connection with the Transaction. WWCM believes these assumptions are reasonable under the current circumstances, however, actual future results may demonstrate that certain assumptions were incorrect.

WWCM has also assumed that the final terms of the Transaction will be substantially the same as the Arrangement Agreement reviewed by WWCM. WWCM has also assumed that all of the representations and warranties contained in the Arrangement Agreement are correct as of the date hereof, that the Transaction will be completed substantially in accordance with the Arrangement Agreement and that the Circular will satisfy all applicable legal requirements.

Finally, WWCM has assumed that all material governmental, regulatory or other required consents and approvals necessary for the consummation of the Transaction will be obtained without any meaningful adverse effect on Monterey or the contemplated benefits of the Transaction.

This Valuation has been provided for the exclusive use of the Special Committee and the Board of Directors for their use in considering the Transaction and may not be used or relied upon for any other purpose. Except as contemplated herein, the Valuation is not to be reproduced, disseminated, quoted from or referred to (in whole or in part) without our prior written consent. The Valuation does not constitute a recommendation to the Board of Directors of Monterey, or any Monterey Shareholder, as to whether the Monterey Shareholders should vote in favour of the Arrangement or any other matter that may come to a vote of the Monterey Shareholders at the meeting of the Monterey Shareholders called to consider the Arrangement.

The Valuation is given as of the date hereof and WWCM disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Valuation which may come or be brought to WWCM's attention after the date hereof. The Valuation is limited to WWCM's understanding of the Transaction as of the date hereof and WWCM assumes no obligation to update the Valuation to take into account any changes regarding the Transaction after the date hereof. Without limiting the foregoing, in the event that there is any material change (as defined in the Securities Act (Ontario)) in Monterey or any change in any material fact (as defined in the Securities Act (Ontario)) affecting the Valuation after the date hereof, WWCM reserves the right to change, modify or withdraw the Valuation.

This Valuation has been prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of IIROC, and Monterey has not been involved in the preparation or review of the Valuation.

OPINIONS OF FINANCIAL ADVISORS

The valuation methodology employed by WWCM requires the development of long-range financial projections for Monterey, which reflect numerous assumptions regarding the impact of general economic and industry conditions on its future financial results. The Valuation of Monterey reflects its Fair Market Value (as herein defined) as at July 11, 2010 (the "Valuation Date"). While WWCM believes the assumptions used are appropriate in the circumstances, some or all of the assumptions may prove to be incorrect.

In preparing the Valuation, WWCM performed a variety of financial and comparative analyses, including those described below. The summary of WWCM's analyses described below is not a complete description of the analyses underlying the Valuation. In preparing the Valuation, WWCM made qualitative judgements as to the significance and relevance of each analysis and factor that it considered.

No company, transaction or business used in WWCM's analyses as a comparison is identical to Monterey or the Transaction, and an evaluation of the results of those analyses is not entirely mathematical. Rather, the analyses involve complex considerations and judgements concerning financial and operating characteristics and other factors that could affect the business combination, public trading or other values of the companies, business segments or transactions being analysed. The estimates contained in WWCM's analyses and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual values or

predictive of future results or values, which may be significantly more or less favourable than those suggested by the analyses. In addition, analyses relating to the value of businesses or securities do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Accordingly, WWCM's analyses and estimates are inherently subject to uncertainty.

WWCM believes that its analyses must be considered as a whole and that selecting portions of its analyses and the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying this report. The preparation of a valuation or a fairness opinion is complex and is not necessarily susceptible to partial analysis or a summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. The Valuation is not and should not be construed as a recommendation that Shareholders accept or reject the Transaction.

PRIOR VALUATIONS

Monterey's management has represented to WWCM that it is not aware of any prior valuations (as defined in MI 61-101) which have been prepared relating to Monterey.

OVERVIEW OF MONTEREY

Monterey is a Canadian junior oil and natural gas exploration, development and production entity based in Calgary, Alberta with operations located in northeast British Columbia and west central Alberta. Monterey commenced active oil and gas operations as a private corporation in January 2006 when an acquisition of producing oil and gas properties was completed. Monterey became a public entity on September 4, 2008 when Monterey's common shares commenced trading on the Toronto Stock Exchange under the symbol MXL.

Exploration and Development Strategy

The business plan of Monterey is to create value on a production and reserve per share basis in the oil and gas industry in western Canada. To accomplish this, Monterey has pursued an integrated growth strategy including focused exploration, controlled exploitation and strategic acquisitions within its geographic project areas.

In evaluating and selecting oil and gas prospects for Monterey, management of Monterey invests in those prospects which, in its judgment, are consistent with a prudent combination of risk and economic potential, recognizing that all drilling involves varying levels of risk and that a high degree of competition exists for prospects. The principal focus of the Corporation's exploration and development activities is to pursue unconventional drilling opportunities from the Montney, Cadomin and Doig horizons located in the Groundbirch and Brassey areas of northeast British Columbia.

Description of Principal Properties

The following is a description of Monterey's principal oil and natural gas properties and minor exploration properties.

British Columbia Properties

Groundbirch

The Groundbirch area is located in northeast British Columbia approximately 65 kilometres northwest of Dawson Creek. As at December 31, 2009, Monterey held an average 88% working interest in approximately 9,898 acres of land (9,238 acres undeveloped, 660 acres developed) at Groundbirch. Monterey's exploration, development and production interests in the Groundbirch area are primarily directed toward the Montney

formation in the Triassic period. In April of 2010, Monterey acquired an additional 6 (6 net) sections of land at Groundbirch for a total cost of \$19.2 million.

Monterey engaged GLJ to prepare an updated Montney Resource Evaluation effective April 21, 2010. In the Montney Resource Evaluation, GLJ provides a best estimate of 2.456 trillion cubic feet of discovered petroleum initially in place ("DPIIP") net to Monterey on 21 (19.0 net) sections of the Corporation's Montney landholdings in the Groundbirch area of northeast British Columbia ("Groundbirch Lands"). The total Montney proved reserves assigned to these lands of 45.9 Bcfge and total proved plus probable reserves of 101.4 Bcfge as at April 1, 2010 represents approximately 1.9% and 4.1%, respectively, of the current estimated DPIIP.

While GLJ has provided a best estimate of the DPIIP for the Montney formation on Monterey's 21 (19.0 net) sections of prospective Groundbirch lands, it should be noted that given the early stages of development, the best estimate of DPIIP may change significantly in the future with further exploration and development activity. The amount of contingent resources, as defined in the COGE Handbook, has yet to be determined and additional geological and engineering study is required to determine the portion of DPIIP that can be subcategorized as contingent resources. Other than the resources which have been booked as reserves as described above, a recovery factor for the remaining resources has not been estimated by GLJ and a recovery project cannot be defined for these volumes of DPIIP at this time. There is no certainty that it will be commercially viable to produce any portion of the natural gas currently classified as DPIIP except to the extent identified as proved or probable reserves.

Brassey

The Brassey area is located in northeast British Columbia approximately 45 kilometres southeast of the city of Dawson Creek. As at December 31, 2009 Monterey held an average 54% working interest in approximately 15,734 gross (8,451 net) acres of land of which approximately 12,818 gross (6,993 net) acres are undeveloped and approximately 2,916 gross (1,458 net) acres are developed. Monterey's exploration, development and production interests in the Brassey area are primarily directed toward the Cadomin formation in the Cretaceous period.

The GLJ Report attributes 621 mboe of proved reserves and 1,645 mboe of proved plus probable reserves to the Brassey area. During the year ended December 31, 2009, the Brassey area provided Monterey with average production of approximately 375 boe/d (2,234 mcf/d of gas and 3 bbl/d of natural gas liquids) from 15 gross (7.5 net) wells. The majority of such production is from Gething and Cadomin formations. Approximately 90% of Monterey's production in the Brassey area is operated by Monterey. All of Monterey's Brassey area production is transported via and is processed by third party facilities.

Since inception to December 31, 2009, Monterey has drilled 15 gross (7.5 net) wells in the Brassey area. During 2009, Monterey did not drill any additional wells in the Brassey area. Monterey has identified 35 potential drilling locations in the Brassey area.

The Brassey area contributed approximately 243 boe/d to Monterey's December 31, 2009 exit production.

Squirrel

The Squirrel area is located in northeast British Columbia approximately 40 kilometres northwest of the city of Fort St. John. As at December 31, 2009, Monterey held an average 68% working interest in approximately 32,588 gross (22,112 net) acres of land of which approximately 24,462 gross (17,995 net) acres are undeveloped and approximately 8,126 gross (4,117 net) acres are developed. Monterey's exploration, development and production interests are primarily directed toward the Notikewan, Bluesky, Dunlevy, Gething and Baldonnel formations in the Cretaceous and Triassic periods. Monterey's property ownership in the Squirrel area includes a 50% ownership in a production facility.

The GLJ Report attributes 609 mboe of proved reserves and 1,590 mboe of proved plus probable reserves to the Squirrel area. During the year ended December 31, 2009, the Squirrel area provided Monterey average production of approximately 138 boe/d (788 mcf/d of gas and 6 bbl/d of natural gas liquids) from 7 gross (4.8 net) wells. The majority of such production is from the Notikewan, Gething and Baldonnel formations. Approximately 85% of Monterey's production in the Squirrel area is operated by Monterey.

Since inception to December 31, 2009, Monterey has drilled 9 gross (8.7 net) wells in the Squirrel area. Monterey has identified 9 potential drilling locations in the Squirrel area. During 2009, Monterey did not drill a well in the Squirrel area.

The Squirrel area contributed approximately 140 boe/d to Monterey's December 31, 2009 exit production.

Laprise

The Laprise area is located in northeast British Columbia approximately 130 kilometres northwest of Fort St. John. At December 31, 2009, Monterey held an average 79% working interest in approximately 4,190 gross (3,315 net) acres of land of which approximately 2,095 gross (1,745 net) acres are undeveloped and approximately 2,095 gross (1,570 net) acres are developed. Monterey's exploration, development and production interests in the Laprise area are directed primarily toward the Baldonnel formation in the Triassic period. Monterey's property ownership in the Laprise area includes a 100% ownership interest in 2 production facilities.

The GLJ Report attributes 799 mboe of proved reserves and 992 mboe of proved plus probable reserves to the Laprise area. During the year ended December 31, 2009, the Laprise area provided Monterey with average production of approximately 267 boe/d (1,425 mcf/d of gas and 29 bbl/d of natural gas liquids) production from 5 gross (4.25 net) wells. The majority of such production is from the Baldonnel formation. All of Monterey's Laprise area production is operated by Monterey.

Since inception to December 31, 2009, Monterey has drilled 3 gross (2.25 net) wells in the Laprise area.

The Laprise area contributed approximately 280 boe/d to Monterey's December 31, 2009 exit production.

Fireweed

The Fireweed area (which includes Monterey's oil and gas properties located in the nearby Buick Creek area) is located in northeast British Columbia approximately 100 kilometres northwest of Fort St. John. As at December 31, 2009 Monterey held an average 38% working interest in approximately 12,208 gross (4,666 net) acres of land of which approximately 6,538 gross (2,475 net) acres is undeveloped and approximately 5,670 gross (2,191 net) acres is developed. Monterey's exploration, development and production interests in the Fireweed area are primarily directed toward the Bluesky and Dunlevy formations in the Cretaceous and the Baldonnel of the Triassic period. Monterey's property ownership in the Fireweed area includes a 100% ownership interest in two production facilities.

The GLJ Report attributes 138 mboe of proved and 411 mboe of proved plus probable reserves to the Fireweed area.

During the year ended December 31, 2009, the Fireweed area provided Monterey with average production of approximately 146 boe/d production (636 mcf/d of gas and 40 bbl/d of natural gas liquids) from 6 gross (3.0 net) wells.

The majority of the production is from the Bluesky and Dunlevy formations. Approximately 75% of Monterey's production in the Fireweed area is operated by Monterey.

Since inception to December 31, 2009 Monterey drilled 1 gross (1.0 net) well in the Fireweed area. There were no wells drilled in Fireweed during 2009. Monterey has identified 2 potential drilling locations in the Fireweed area.

The Fireweed area contributed approximately 121 boe/d to Monterey's December 31, 2009 exit production.

Redeye

The Redeye area (which includes the nearby Silver area) is located in northeast British Columbia approximately 140 kilometres north of Fort St. John. At December 31, 2009, Monterey held an average 59% working interest in approximately 53,188 gross (31,174 net) acres of land of which approximately 25,716 gross (15,383 net) acres are undeveloped and approximately 27,472 gross (15,791 net) acres are developed. Monterey's exploration, development and production interests in the Redeye area are primarily directed toward the Bluesky, Gething, Charlie Lake, and Halfway formations in the Cretaceous and Triassic periods. Monterey's property ownership in the Redeye area includes an average ownership interest of approximately 83% in the production facilities.

The GLJ Report attributes 516 mboe of proved reserves and 881 mboe of proved plus probable reserves to the Redeye area. During the year ended December 31, 2009, Redeye provided Monterey with average production of approximately 271 boe/d production (1,331 mcf/d of gas, 42 bbl/d of natural gas liquids and 7 bbl/d of oil) from 20 gross (11.5 net) wells. The majority of the production in the Redeye area is from the Bluesky, Gething, and Halfway formations.

Approximately 50% of Monterey's production in the Redeye area is operated by Monterey.

Since inception to December 31, 2009, Monterey has drilled 6 gross (2.5 net) wells with no wells drilled in 2009 in the Redeye area. Monterey has identified 1 potential drilling location in the Redeye area.

The Redeye area contributed approximately 235 boe/d to Monterey's December 31, 2009 exit production.

Dahl

The Dahl area is located in northeast British Columbia approximately 130 kilometres north of Fort St. John. At December 31, 2009 Monterey held an average 59% working interest in 22,673 gross (13,196 net) acres of lands of which 6,631 gross (3,986 net) acres is undeveloped and 16,042 gross (9,210 net) acres is developed. Monterey's exploration, development and production interests are directed primarily to the Bluesky and Gething formations in the Cretaceous period. Monterey's properties include a 75% ownership interest in a production facility.

The GLJ Report attributes 289 mboe of proved reserves and 417 mboe of proved plus probable reserves to the Dahl area. During the year ended December 31, 2009, Dahl provided Monterey with average production of 91 boe/d (492 mcf/d of gas and 9 bbl/d of natural gas liquids) from 6 gross (2.6 net) wells. The majority of the production is from the Bluesky and Gething formations. Approximately 25% of the production in the Dahl area is operated by Monterey.

Since inception to December 31, 2009 Monterey has drilled 1 gross (0.8 net) wells. No wells were drilled in 2009 in the Dahl area.

The Dahl area contributed approximately 109 boe/d to Monterey's December 31, 2009 exit production.

Other British Columbia Properties

Monterey holds land and obtains production from oil and gas properties in the Tupper, Peejay, Umbach, Martin Creek and Sahtaneh areas (collectively, the "Other BC Areas") all of which are located in northeast British Columbia. As at December 31, 2009, Monterey held an average 50% working interest in approximately 33,747 gross (16,718 net) acres of lands of which approximately 24,578 gross (14,431 net) acres are undeveloped and approximately 9,169 gross (2,287 net) acres are developed.

Monterey's exploration, development and production interests are primarily directed toward the Paddy, Bluesky, Gething, Baldonnel and Keg River formations in the Cretaceous, Triassic, and Devonian periods.

The GLJ Report attributes 173 mboe of proved reserves and 207 mboe of proved plus probable reserves to the Other BC areas. During the year ended December 31, 2009, the Other BC areas provided Monterey with average production of approximately 111 boe/d (575 mcf/d of gas, 10 bbl/d of natural gas liquids and 6 bbl/d of oil) production from 11 gross (2.5 net) wells, primarily from the Paddy, Bluesky, Gething, Baldonnel and Keg River formations. Approximately 10% of the production in the Other BC areas is operated by Monterey.

Since inception to December 31, 2009, Monterey has drilled 3 gross (1.0 net) in the Other BC Areas. No wells were drilled in the Other BC Areas during 2009.

The Other BC areas contributed approximately 106 boe/d to Monterey's December 31, 2009 exit production.

Alberta Properties

Ferrybank

The Ferrybank area is located in West Central Alberta approximately 50 kilometres north of the city of Red Deer. As at December 31, 2009, Monterey held an average 61% working interest in approximately 17,307 gross (10,610 net) acres of land, of this total 640 gross (640 net) acres are undeveloped. Monterey's exploration, development and production interests are primarily directed toward the Belly River formation and Mannville groups in the Cretaceous period.

Monterey's property ownership in the Ferrybank area includes a 39.6% ownership interest in the Ferrybank Belly River gas unit production facilities and an average 64% working interest in the non-unit facilities. The GLJ Report attributes 475 mboe of proved reserves and 641 mboe of proved plus probable reserves to the Ferrybank area. During the year ended December 31, 2009, Ferrybank provided Monterey with average production of approximately 548 boe/d (2,222 mcf/d of gas, 52 bbl/d of oil and 126 bbl/d of natural gas liquids) from 18 gross (7.1 net) wells. Monterey's production in the Ferrybank area from the Belly River formation which forms part of the Ferrybank Belly River gas unit which is operated by Devon Canada Corporation, while Monterey's non-unit production is operated by Monterey.

Since inception to December 31, 2009 Monterey has drilled 1 gross (0.8 net) wells in the Ferrybank area. The well was drilled during 2008.

The Ferrybank area contributed approximately 426 boe/d to Monterey's December 31, 2009 exit production.

Smoky

The Smoky area is located in West Central Alberta approximately 125 kilometres south of the city of Grande Prairie. Monterey holds an average 25% working interest in approximately 5,120 gross (1,280 net) acres of land of which approximately 2,560 gross (640 net) acres are undeveloped and approximately 2,560 gross (640 net) acres are developed. Monterey's exploration, development and production interests are primarily directed toward the Cardium formation in the Cretaceous period. During 2008, Monterey participated in the

drilling of 3 gross (0.8 net) wells and has identified 5 potential drilling locations in the Smoky area. There were no wells drilled in the Smoky area in 2009.

During the year ended December 31, 2009, Smoky provided Monterey with average production of approximately 51 boe/d (262 mcf/d of gas and 7 bbl/d of natural gas liquids). The Smoky area contributed approximately 20 boe/d to Monterey's December 31, 2009 exit production.

The GLJ Report attributes 31 mboe of proved reserves and 181 mboe on a proved plus probable basis to the Smoky area.

Other Alberta Properties

Monterey holds land and obtains production from oil and gas properties in the Harmattan, Claresholm, Calling Lake, Enchant, Ferintosh, Heathdale, Newbrook and Whitford/Hairy Hill areas of Alberta (collectively, the "Other Alberta Areas"). At December 31, 2009 Monterey held an average 61% working interest in approximately 44,387 gross (27,043 net) acres of land of which approximately 14,405 gross (8,797 net) acres are undeveloped and approximately 29,982 gross (18,246 net) acres are developed. Subsequent to December 31, 2009, Monterey disposed of its interests in the Harmattan area of Alberta where Monterey held 160 (70.2 net) acres of land.

Monterey's exploration, development and production interests are directed towards various formations, which include but are not limited to: the Viking, Glauconite and Ellerslie formations in the Cretaceous period. Monterey's ownership in the Other Alberta Areas consists of numerous wells with varying working interest which in aggregate contributed approximately 170 boe/d towards the Corporation's December 31, 2009 exit production.

The GLJ Report attributes 431 mboe of proved reserves and 797 mboe of proved plus probable reserves to the Other Alberta Areas. During the year ended December 31, 2009, the Other Alberta Areas provided Monterey with average production of approximately 194 boe/d (465 mcf/d of gas, 114 of oil and 3 bbl/d of natural gas liquids). None of Monterey's production from the Other Alberta Areas is operated by Monterey.

Since inception to December 31, 2009, Monterey has drilled 2 gross (0.7 net) wells including 2 gross (0.7 net) wells in the Claresholm area. During 2009, Monterey did not drill any wells in the Other Alberta Areas.

Historical Financial Results

The following tables summarize Monterey's financial results for the periods indicated, as extracted from Monterey's published financial statements:

(\$000s except per share amounts)	Year Ended 31-Dec-09 (Audited)	Year Ended 31-Dec-08 (Audited)	Year Ended 31-Dec-07 (Audited)	Year Ended 31-Dec-06 (Audited)
Revenue:				
Production	\$ 24,392	\$ 33,949	\$ 24,806	\$ 19,357
Royalties	(3,461)	(6,037)	(4,114)	(3,116)
Gain (loss) on financial instruments	118	(662)	731	-
Interest	67	15	65	338
	<u>21,116</u>	<u>27,265</u>	<u>21,488</u>	<u>16,580</u>
Expenses:				
Operating	9,483	8,119	6,344	4,711
Transportation costs	1,253	1,033	957	494
General and administrative	3,130	2,510	2,435	2,662
Interest	1,101	1,034	595	41
Depreciation, depletion and accretion	22,882	15,348	11,662	7,938
	<u>37,849</u>	<u>28,044</u>	<u>21,993</u>	<u>15,847</u>
Loss before income taxes:	(16,733)	(779)	(505)	732
Future income tax reduction	-	1,682	1,311	-
Net earnings (loss)	<u>(16,733)</u>	<u>903</u>	<u>806</u>	<u>732</u>
Retained earnings, beginning of year	2,441	1,538	732	(141,036)
Reduction of deficit	-	-	-	141,036
Retained earnings (deficit), end of year	<u>(14,292)</u>	<u>2,441</u>	<u>1,538</u>	<u>732</u>
Net earnings (loss) per share				
Basic and diluted	\$ (0.48)	\$ 0.03	\$ 0.03	\$ 0.03

(\$000s except per share amounts)	Year Ended 31-Dec-09 (Audited)	Year Ended 31-Dec-08 (Audited)	Year Ended 31-Dec-07 (Audited)	Year Ended 31-Dec-06 (Audited)
Assets				
Current assets:				
Cash and cash equivalents	\$ 5,373	\$ -	\$ 7	\$ 7,234
Accounts receivable	2,795	4,980	3,015	4,672
Prepaid expenses and deposits	534	681	540	424
Commodity price risk management contracts	32	-	-	-
	<u>8,734</u>	<u>5,661</u>	<u>3,562</u>	<u>12,330</u>
Property and equipment	127,707	141,458	87,416	62,310
	<u>-</u>	<u>-</u>	<u>-</u>	<u>367</u>
	<u>\$ 136,441</u>	<u>\$ 147,119</u>	<u>\$ 90,978</u>	<u>\$ 75,006</u>

Liabilities and Shareholders' Equity

Current liabilities:				
Bank indebtedness	\$ 22,559	\$ 35,286	\$ 13,625	\$ -
Accounts payable and accrued liabilities	11,095	8,075	5,079	8,415
Obligation under capital lease	45	179	-	-
	<u>33,699</u>	<u>43,540</u>	<u>18,704</u>	<u>8,415</u>
Obligation under capital lease	-	45	-	-
Asset retirement obligations	4,646	4,471	2,366	2,244
Shareholders' equity:				
Share capital	108,066	92,944	65,193	61,489
Contributed surplus	4,322	3,678	3,177	2,126
Retained earnings	(14,292)	2,441	1,538	732
	<u>98,096</u>	<u>99,063</u>	<u>69,908</u>	<u>64,347</u>
	<u>\$ 136,441</u>	<u>\$ 147,119</u>	<u>\$ 90,978</u>	<u>\$ 75,006</u>

Monterey Shares Trading Information

The Monterey Shares are listed on the TSX under the symbol "MXL". The following table sets forth, for the periods indicated, the high and low closing prices quoted and the volume traded on the TSX:

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Close</u>	<u>Volume</u>
2008				
September 4 - September 30	3.40	1.65	1.99	442,769
October	1.85	0.50	0.75	3,052,257
November	1.10	0.65	0.72	1,590,207
December	0.70	0.50	0.56	2,113,620
2009				
January	0.76	0.60	0.70	417,459
February	0.80	0.61	0.65	740,633
March	1.10	0.63	0.92	2,274,748
April	1.75	0.95	1.23	2,771,752
May	1.80	1.26	1.51	1,072,164
June	1.86	1.40	1.45	600,221
July	1.50	1.35	1.40	506,832
August	1.85	1.40	1.67	450,364
September	2.78	1.46	2.19	996,183
October	3.05	1.82	2.70	1,727,215
November	4.30	2.75	4.00	3,676,943
December	5.58	3.98	5.40	2,200,436
2010				
January	5.83	3.95	4.27	1,503,049
February	4.52	3.85	4.45	2,411,619
March	4.59	2.99	3.15	1,984,441
April	3.99	3.13	3.99	3,693,174
May	4.44	3.29	4.07	2,699,320
June	4.95	4.00	4.22	1,545,779
July 1 - July 9	4.40	4.21	4.28	203,009

The closing price of the Monterey Shares on the TSX on July 9, 2010 was \$4.28.

DEFINITION OF FAIR MARKET VALUE

In this context, and for the purposes of the Valuation, fair market value ("Fair Market Value") means the monetary consideration that, in an open and unrestricted market, an informed buyer would pay to an informed seller, each acting at arm's length and under no compulsion to act.

VALUATION METHODOLOGIES

The Valuation is based upon techniques and assumptions that WWCM considers to be appropriate in the circumstances for the purposes of arriving at an opinion as to the fair market value of the Monterey Shares.

In preparing the Valuation, WWCM relied on the following methodologies, as appropriate, in determining the range of fair market value of the Monterey Shares:

- (i) Net asset value ("NAV") approach;

- (ii) Comparable precedent transactions (“Comparable Transactions”) approach; and
- (iii) Comparable market trading (“Comparable Trading”) approach

WWCM placed greater emphasis on certain approaches, as it considered appropriate, to reflect the nature of Monterey’s assets and its stage of development. In particular, WWCM placed the greatest emphasis on the range of values paid per barrel of oil equivalent (“boe”) of proved plus probable reserves in the Comparable Transactions, as such metrics were deemed by WWCM to best reflect transactions with a substantial “resource play” asset, as is the case with Monterey’s Groundbirch asset. WWCM considers “resource play” assets to be assets with significant discovered petroleum initially-in-place and low initial recovery factors, which can be further exploited through deployment of capital to develop a large inventory of identified, repeatable drilling locations.

NAV Approach

The NAV approach involves attributing values to the assets and liabilities of Monterey, using such methodologies and assumptions as WWCM deemed to be appropriate in each case. The NAV approach was not the primary approach used in the Valuation, but was relied upon to confirm the reasonableness of the range of fair market values otherwise determined. One of the notable limitations to the NAV approach, as it related to the Valuation, is that one of the key characteristics of resource play assets is significant exploitation potential of the asset base for additional reserves which are not currently included in an independent third-party engineering evaluation of the assets.

Proved plus Probable Reserves

A discounted cash flow analysis (“DCF”) was used to ascribe a value to the proved plus probable reserves of Monterey, giving effect to the amount, timing and relative certainty of unlevered free cash flows projected to be realized from future production volumes as determined by independent, third-party reservoir engineers. WWCM is of the opinion that a potential buyer would evaluate the reserves on an after-tax basis and that the reserves should be evaluated independent of the tax status of the investors that hold the Monterey Shares. As a result, WWCM considered the income tax pools associated with the reserves to ascribe a value to the reserves on an after-tax basis.

As a basis for the development of the projected unlevered free cash flows, WWCM reviewed the GLJ Report, and historical lease operating statements and unaudited projected operating and financial information provided by management of Monterey. The information reviewed included estimates of proved and probable oil and natural gas reserves, production volumes, royalties, operating costs, taxes, and anticipated capital expenditures, and future well abandonment and site reclamation costs, among other operational and financial information. The weakness of the DCF approach is the high element of subjectivity required to generate operational and financial projections over a long period of time. To account for this weakness, the results of the DCF were tested under varying assumptions and scenarios and a sensitivity analysis was conducted on certain variables which WWCM considered important to the DCF analysis.

Weighted Average Cost of Capital

A weighted average cost of capital (“WACC”) range was used to select an appropriate range of discount rates for the NAV approach. The WACC was calculated based on a range of WACC components, as observed from comparable junior exploration and production companies for Monterey. An assumed range of target capital structures was based on observed capital structures of comparable junior companies. The prevailing Government of Canada 10 year bond rate on July 9, 2010 was used as a proxy for the risk free rate. The cost of debt was derived from the risk free rate, plus an observed credit spread range from the appropriate universe of comparables for Monterey. Marginal tax rates required to calculate the after-tax cost of debt, were based upon the present value of future taxes and operating income in the Monterey Reserve Report, which took into

account the benefits of tax pool coverage. WWCM relied upon calculations of beta as per Bloomberg, based on 4 years of daily return data, relative to the S&P TSX Composite Index for each comparable junior company. To derive the cost of equity, WWCM also relied upon data regarding long-term equity risk premia and size premia from Ibbitson Associates.

Other Assets and Liabilities

For the NAV approach, in addition to the DFC analysis for the proved plus probable reserves, values were attributed to working capital and bank debt as at June 30, 2010, mark-to-market value of outstanding commodity hedging contracts as at July 9, 2010, undeveloped land holdings, ownership benefits related to the natural gas processing plant at Groundbirch and future general and administrative expenses in order to derive a base NAV. In addition to the base NAV, WWCM also considered additional value which an acquirer would ascribe to unbooked oil and natural gas resources at Groundbirch.

Comparable Transactions Approach

WWCM applied the Comparable Transactions approach to estimate the fair market value of the Monterey Shares. Given this approach reflects 'en bloc' transaction values for companies, WWCM placed the greatest emphasis on this approach. An analysis of precedent transactions necessarily must consider market conditions, including equity market conditions, prevailing commodity price levels, available industry technologies and other factors in existence at the time of such transactions, and as such these transactions may not be directly comparable to the Transaction. Accordingly, the use of the Comparable Transactions approach in preparing the Valuation required WWCM to use its professional judgement in determining (i) those transactions which it considered to be relevant for the Valuation; (ii) those metrics which it considered to be most indicative of fair market value determinations based on a review of precedent corporate transactions; and (iii) the range of values for such metrics which WWCM would consider to be indicative of value ranges a company might expect to realize in an 'en bloc' transaction in the current market environment.

Precedent values paid per boe of proved plus probable reserves in comparable transactions were given significant weighting in the Valuation as in WWCM's judgement these metrics best reflect 'en bloc' metrics for assets of a resource play nature. Metrics reflecting nearer-term results, including those based on current production levels and forecasts of nearer-term cash flow, were considered by WWCM to be less relevant in the determination of fair market value for companies with resource play style assets. The wide range of values in metrics related to nearer-term results in transactions involving companies with significant resource plays lends credence to the assertion that these metrics are not reliable indicators of fair market value.

There have been a limited number of precedent transactions involving companies with resource play style, natural gas assets and those which have occurred were completed in widely differing market conditions. As such, WWCM reviewed two distinct groups of precedent transactions in preparing the Valuation. The first group was comprised of precedent transactions involving companies with a predominantly conventional natural gas weighted asset base. The second group of precedent transactions comprised transactions involving companies with significant resource play exposure in their asset bases. In WWCM's judgment, the fair market value of companies with a significant natural gas resource play asset such as Monterey is higher than those of companies with conventional natural gas assets, owing to the significant resource expansion potential in the resource play assets, and lower than those of companies with an oil weighted resource play asset base, owing to the relative strength of oil commodity prices as compared to natural gas commodity prices.

Comparable Trading Approach

WWCM applied the Comparable Trading approach to Monterey to estimate the fair market value, but it relied less on this approach than it did on the Comparable Transactions approach. WWCM believes market participants, including research analysts, tend to favour nearer-term production and cash flow based metrics when evaluating junior exploration and production companies, whereas WWCM believes resource play

companies are better evaluated with consideration of their proved plus probable reserve and asset value potential. As the majority of Monterey's value relates to the potential of its Groundbirch asset, WWCM based its Comparable Trading analysis on consensus research analyst projections for 2011 for the identified companies as Monterey expects the first full year of production from Groundbirch to be 2011. In addition, WWCM considered the enterprise value per boe of proved and proved plus probable reserves in its analysis, and placed greater emphasis on these metrics in its subjective analysis of relevant Comparable Trading metrics.

Consistent with the Precedent Transaction approach, WWCM reviewed two distinct groups of comparable companies in preparing the Valuation. The first group was comprised of companies with a predominantly natural gas weighted asset base, largely from conventional natural gas properties. The second group comprised companies with significant resource play exposure in their asset bases.

Benefits to a Purchaser of Acquiring 100% of the Monterey Shares

WWCM reviewed and considered whether any distinctive material value would accrue to Pengrowth or any other oil and gas industry participant with the acquisition of 100% of the outstanding Monterey Shares. WWCM concluded that there would be minimal synergies available to industry participants, mostly limited to general and administrative expense savings. The extent to which a potential acquirer might realize such savings would be dependent on the particular acquirer, and there would be one-time costs relating to realizing these synergies. Given the minimal synergies and the one-time costs an acquirer would be required to expend in order to achieve them, WWCM concluded that any acquirer would not be willing to pay a material amount for such synergies and therefore has not reflected these synergies in the Valuation.

MONTEREY VALUATION

NAV Approach

Proved plus Probable Reserves

WWCM used a DCF analysis to value Monterey's proved plus probable reserves. Projected cash flows were developed using assumptions set out in the Monterey Reserve Report.

WWCM performed a weighted average cost of capital ("WACC") analysis to select a discount rate range of 10% to 12% for the DCF analysis.

Groundbirch Plant

In calculating the 'en bloc' value of Monterey, WWCM considered the incremental value available to potential purchasers from acquiring the gas plant at Groundbirch (the "Groundbirch Plant") from AltaGas Ltd. In deriving the incremental value attributable to ownership of the plant, WWCM considered two separate proved plus probable reserve evaluations of the Groundbirch asset from independent third party reservoir engineers, one of which evaluated such reserves under a scenario where Monterey had full ownership of the Groundbirch Plant, and one of which evaluated the reserves with processing fees paid to a third party owner of the Groundbirch Plant.

Undeveloped Land

To value undeveloped land, WWCM relied upon the Seaton-Jordan Report, precedent transactions and industry conventions. Undeveloped land holdings were adjusted from the date of the Seaton-Jordan Report on the basis of information provided by management of Monterey, reflecting (i) the sale of certain non-core land holdings; (ii) the acquisition of additional land holdings at Groundbirch; and (iii) the re-classification of certain land from undeveloped to developed holdings on the basis of operating activities subsequent to the preparation of the Seaton-Jordan Report.

Undeveloped land in Alberta was ascribed a value of between \$100/acre and \$300/acre, based on industry convention and land values contained in the Seaton-Jordan Report. Undeveloped land in British Columbia, excluding the Groundbirch area, was ascribed a value between \$150/acre and \$300/acre based on industry convention and land values contained in the Seaton-Jordan Report. Undeveloped land in the Groundbirch area of British Columbia was ascribed a value between \$4,500/acre and \$5,500/acre based on land values implied by precedent transactions we considered relevant and land values contained in the Seaton-Jordan Report.

Hedging Contracts

WWCM calculated the present value of Monterey's outstanding commodity hedging contracts as at July 9, 2010.

Financial Assets / Liabilities

WWCM utilized Monterey's working capital and debt balances as of June 3, 2010, net of the proceeds from the exercise of dilutive securities. For the purposes of the Valuation, all dilutive securities were assumed to be 'in-the-money' and exercised.

General and Administrative Expenses

WWCM estimated the present value of Monterey's ongoing general and administrative expenses using a DCF analysis. WWCM utilized Monterey's budgeted annual general and administrative expenses for 2010 and 2011 and in subsequent years assumed general and administrative expenses of \$1.00 per boe of production volumes in accordance with the production profile of the independent reservoir engineers.

Additional Resource Exploitation Potential

In the case of resource play companies, characterized by exposure to large discovered petroleum initially in place with low initial recovery factors, the production profile derived by third party reservoir engineers in accordance with NI 51-101 may understate the resource potential as evaluated by a potential 'en bloc' purchaser. To account for this consideration, WWCM performed analysis which calculated potential reserve additions which would be realized under cases of higher recovery factors and applied a value per boe as determined by the DCF analysis of proved plus probable reserves noted above. Future capital associated with the development activities required to increase recovery factors was deducted in determining the value, and a downward adjustment to undeveloped land value was made to account for the development of currently undeveloped lands as a result of these activities.

WWCM utilized GLJ's estimate of 2,455.7 Bcf of discovered petroleum initially in place at Groundbirch and proved plus probable reserve bookings of 101.4 Bcf, representing a booked recovery factor of 4.1%. WWCM then reviewed the public disclosure of companies with assets it considered to be comparable and noted a range of recovery factor estimates from 15% to 50%. In deriving an estimated range of values for additional resource exploitation potential at Groundbirch, WWCM utilized assumed recovery factors ranging from 12.5% to 15% to which a value per boe as determined by the DCF analysis of proved plus probable reserves was applied.

Summary of NAV Approach

The summary of the NAV approach for Monterey is shown below:

	12% discount rate	10% discount rate
Booked Reserve Value (after tax)	130.8	153.0
Ownership of Groundbirch Plant	9.8	13.8
Hedging Gains (Losses)	0.2	0.2
Undeveloped Land	56.1	77.5
Option Proceeds	9.4	9.4
Net Debt	(29.4)	(29.4)
G&A	(12.5)	(13.5)
After Tax Net Asset Value	164.4	211.1
Fully Diluted Shares Outstanding	49.7	49.7
Base NAV per Share	3.31	4.24
Resource exploitation potential - Groundbirch	180.3	276.1
Net Asset Value with resource exploitation	344.8	487.2
NAV (with resource exploitation) per Share	6.93	9.80

The following table illustrates the impact of changes in key economics variables on the NAV, including resource exploitation potential:

Net Asset Value (with resource exploitation) Sensitivity	Midpoint	Change in Midpoint
WTI (\$US/bbl)		
+\$5.00 per bbl	8.40	0.4%
-\$5.00 per bbl	8.33	-0.4%
CAD:USD Exchange Rate		
-C\$0.01 US\$	8.37	0.1%
+C\$0.01 US\$	8.36	-0.1%
AECO (C\$/mmbtu)		
+\$0.25 per mmbtu	8.60	2.8%
-\$0.25 per mmbtu	8.12	-2.9%
Discount Rate		
-1%	8.60	2.9%
+1%	8.15	-2.5%

Comparable Transactions Approach

WWCM also utilized the Comparable Transactions approach to estimate the fair market value of the Monterey Shares.

The Comparable Transactions involving companies in the oil and gas sector that were identified and reviewed by WWCM are summarized in Appendix 2. The process of analyzing valuation multiples implied by Comparable Transactions and applying these valuation multiples to Monterey involved certain judgments concerning the financial and operating characteristics of the companies acquired in these transactions compared to Monterey. WWCM did not consider any specific precedent transactions to be directly comparable to Monterey, however, based on a review of the financial and operating characteristics of the target entities compared to Monterey, WWCM selected appropriate EV/BOEPD, EV/P BOE and EV/P+P BOE multiple ranges and applied this range to the current BOEPD, P BOE and P+P BOE metrics for Monterey.

	Metric	Metric Range		Implied Value per Share	
		Low	High	Low	High
EV / BOEPD - current	1,685 BOEPD	70,000	225,000	1.97	7.22
EV / BOE - proved	12,580 MBOE	25.00	40.00	5.92	9.72
EV / BOE - proved plus probable	23,794 MBOE	17.00	20.00	7.73	9.17
<i>Selected value range</i>				<i>6.97</i>	<i>9.03</i>

Comparable Companies Approach

WWCM also utilized the Comparable Companies approach to estimate the fair market value of the Monterey Shares.

WWCM considered two groups of comparable companies, one consisting of companies with predominantly conventional natural gas weighted asset bases and another consisting of companies with significant exposure to a resource play style asset, most of which have a significantly higher oil weighting. The market trading multiples of 26 publicly trading exploration companies, including 13 natural gas weighted companies and 13 resource play companies, were reviewed by WWCM as summarized in Appendix 3. WWCM is of the opinion that a company with significant exposure to a natural gas resource play, such as Monterey, would be valued at a higher multiple than those of companies with conventional natural gas assets, owing to the significant resource expansion potential in the resource play assets, and at a lower multiple than those of companies with an oil weighted resource play asset base, owing to the relative strength of oil commodity prices as compared to natural gas commodity prices.

Given that trading values typically reflect a minority discount, an 'en bloc' premium of 20% based on the one day average of comparable transactions was applied to the selected value range. The selected value range is based on an emphasis toward reserve-based metrics.

	Metric	Metric Range		Implied Value per Share	
		Low	High	Low	High
P/ CF - 2011E	\$27.5 MM	6.0x	8.0x	3.32	4.43
EV / DACF - 2011E	\$29.5 MM	7.5x	9.0x	3.81	4.70
EV / BOEPD - 2011E	5,056 BOEPD	65,000	80,000	5.96	7.49
EV / BOE - proved	12,580 MBOE	24.00	32.00	5.67	7.69
EV / BOE - proved plus probable	23,794 MBOE	15.00	20.00	6.77	9.17
<i>Selected value range</i>				<i>6.26</i>	<i>8.39</i>
<i>Selected value range with 20% en bloc premium</i>				<i>7.51</i>	<i>10.07</i>

VALUATION SUMMARY

Based on the approaches applied to value the Monterey Shares, the following provides a summary of the implied fair market value ranges:

	Value per Share	
	Low	High
NAV Approach	6.93	9.80
Comparable Transactions Approach	6.97	9.03
Comparable Trading Approach	6.26	8.39
Comparable Trading Approach (with en bloc premium)	7.51	10.07
<i>Value range conclusion</i>	<i>7.19</i>	<i>9.52</i>

VALUATION CONCLUSION

Based upon and subject to the foregoing and such other factors as WWCM considered relevant, WWCM is of the opinion that, as of July 11, 2010, the Fair Market Value of Monterey is in a price range of \$7.19 to \$9.52 per share.

Yours very truly,



Wellington West Capital Markets Inc.

APPENDIX 1: WEIGHTED AVERAGE COST OF CAPITAL

	Low	High
Debt	20%	30%
Equity	80%	70%
Cost of Debt		
10 year government of Canada	3.23%	3.23%
Credit spread	2.00%	1.50%
Before tax cost of debt	5.23%	4.73%
Cost of Equity		
Risk free rate	3.23%	3.23%
Equity risk premium	6.14%	6.14%
Size premium	2.86%	2.86%
Beta	1.3	1.0
Cost of equity	14.07%	12.23%
Weighted average cost of capital	12.04%	9.62%
Rounded, say	12%	10%

APPENDIX 2: COMPARABLE TRANSACTIONS

Announcement Date	Buyer	Seller	Transaction Value (\$ millions)	Production (boe/d)	EV / BOEPD	EV / BOE Proved	EV / BOE Proved + Probable
BC Montney Transactions							
14-Jul-08	Shell Canada Ltd.	Duvernay Oil Corp.	5,822	25,584	227,566	60.72	39.30
9-Jun-10	ARC Energy Trust	Storm Exploration Inc.	679	9,861	68,888	23.51	15.72
Resource Play Transactions (current production of 1,000 to 5,000 boepd)							
22-Jun-10	Surge Energy Inc.	PrivateCo.	107	1,150	93,304	n.m.f	25.55
13-May-10	Legacy Oil + Gas Inc.	Villanova Resources Inc.	124	1,000	123,696	n.m.f	27.49
2-Mar-10	PetroBakken Energy Ltd.	Rondo Petroleum Inc.	248	1,200	206,438	n.m.f	22.52
28-Jan-10	PetroBakken Energy Ltd.	Result Energy Inc.	502	1,100	456,451	n.m.f	173.14
4-Jan-10	PetroBakken Energy Ltd.	Berens Energy Ltd.	344	3,650	94,342	46.78	31.39
9-Nov-09	Crescent Point Energy Corp.	TriAxon Resources Ltd.	251	1,400	179,588	32.23	20.28
24-Aug-09	Crescent Point Energy Corp.	Wave Energy Ltd	703	3,000	234,216	80.76	39.92
7-May-09	Crescent Point Energy Corp.	PrivateCos	340	2,900	117,202	42.49	27.63
Average					188,155	50.57	45.99
Median					151,642	44.63	27.56
High					456,451	80.76	173.14
Low					93,304	32.23	20.28
Gas-Weighted Companies (>60% Gas Weighting)							
9-Jun-10	ARC Energy Trust	Storm Exploration Inc.	679	9,861	68,888	23.51	15.72
10-May-10	Paramount Resources	Redcliffe Exploration	69	854	80,652	45.35	20.56
3-May-10	Storm Ventures International Inc.	Iteration Energy Ltd.	578	13,800	41,915	17.35	11.36
20-Nov-09	Angle Energy Inc.	Stonefire Energy Corp.	73	1,225	59,647	21.49	11.42
6-Jul-09	Crocotta Energy Inc.	Salvo Energy Corporation	80	1,650	48,400	n.m.f.	11.92
3-Jun-09	Insignia Energy Ltd.	Grey Wolf Exploration Inc.	110	3,400	32,242	13.81	6.88
27-Apr-09	Daylight Resources Trust	Intrepid Energy	109	3,000	36,333	n.m.f.	15.80
31-Mar-09	Paramount Energy Trust	Profound Energy Inc.	111	2,838	39,072	13.35	9.03
23-Mar-09	NAL Oil & Gas Trust	Alberta Clipper Inc.	119	1,550	77,065	42.66	27.78
10-Feb-09	Polar Star Canadian Oil & Gas Inc.	Tusk Energy Corp.	258	4,364	59,018	24.24	15.73
Average					52,582	24.30	13.38
Median					48,400	21.49	11.92
High					80,652	45.35	20.56
Low					32,242	13.81	6.88

APPENDIX 3: COMPARABLE COMPANIES

Gas-Weighted Companies

Company	Market Capitalization (\$ millions)	Enterprise Value (\$ millions)	Price / Cash Flow 2011E	EV/DACF 2011E	EV/BOEPD 2011E	EV/BOE Proved	EV/BOE Proved + Probable	Independent Reserves Evaluator
Cequence Energy Ltd.	123	123	4.9x	6.0x	35,473	11.89	7.16	GLJ
Cinch Energy Corp.	121	122	5.0x	6.2x	42,789	16.61	11.57	GLJ
Crocotta Energy Inc.	108	159	4.6x	6.4x	50,491	23.49	14.87	GLJ
DeeThree Exploration Ltd.	44	36	4.5x	5.0x	23,419	20.88	17.37	Sproule
Delphi Energy Corp.	316	391	3.9x	4.8x	43,777	21.84	14.36	GLJ
Insignia Energy Ltd.	61	83	3.1x	5.3x	31,040	15.39	6.28	GLJ
Open Range Energy Corp.	85	144	2.8x	4.7x	37,224	14.43	8.54	GLJ
Orleans Energy Ltd.	210	236	6.1x	7.2x	56,054	20.79	11.83	Sproule
ProspEx Resources Ltd.	92	115	3.0x	4.0x	29,395	14.42	9.38	GLJ
Seaview Energy Inc.	85	95	3.1x	3.6x	26,392	15.47	9.74	Sproule
Terra Energy Corp.	141	185	2.8x	3.9x	27,662	11.68	7.75	GLJ
Vero Energy Inc.	303	403	3.2x	4.2x	40,659	22.27	15.65	Sproule
Yoho Resources Inc.	86	107	4.0x	5.0x	34,763	n.m.f.	15.51	GLJ
Average			3.9x	5.1x	36,857	17.43	11.54	
Median			3.9x	5.0x	35,473	16.04	11.57	
High			6.1x	7.2x	56,054	23.49	17.37	
Low			2.8x	3.6x	23,419	11.68	6.28	

Resource Play Companies

Company	Market Capitalization (\$ millions)	Enterprise Value (\$ millions)	Price / Cash Flow 2011E	EV/DACF 2011E	EV/BOEPD 2011E	EV/BOE Proved	EV/BOE Proved + Probable	Independent Reserves Evaluator
Arcan Resources Ltd	369	369	4.6x	5.2x	85,110	43.13	33.24	GLJ
Birchcliff Energy Ltd.	1,364	1,549	8.6x	9.8x	93,934	17.21	9.85	AJM
Bonterra Energy Corp.	693	746	7.1x	7.8x	104,914	29.46	20.83	Sproule
Crew Energy Inc.	1,373	1,374	7.5x	8.0x	80,047	39.24	23.46	GLJ
Legacy Oil + Gas Inc.	1,502	1,668	7.2x	7.7x	124,684	36.36	21.95	Sproule
Midway Energy Ltd.	225	230	4.2x	4.5x	80,836	36.07	25.89	Sproule / GLJ
Novus Energy Inc.	167	103	3.6x	3.5x	56,550	70.20	28.14	Sproule
Painted Pony Petroleum Ltd.	298	269	4.6x	5.1x	75,516	68.11	41.39	Sproule
Renegade Petroleum Ltd.	172	167	2.9x	3.6x	67,974	88.78	37.90	Sproule
Second Wave Petroleum Inc.	240	220	7.4x	8.1x	84,603	88.40	41.48	GLJ
Spartan Exploration Ltd.	98	83	3.5x	3.7x	63,356	54.10	40.05	Sproule
WestFire Energy Ltd.	250	235	4.2x	4.6x	66,175	43.73	23.84	GLJ
Wild Stream Exploration Inc.	248	227	5.4x	5.7x	96,401	33.82	21.17	Sproule / GLJ
Average			5.5x	5.9x	83,085	49.89	28.40	
Median			4.6x	5.2x	80,836	43.13	25.89	
High			8.6x	9.8x	124,684	88.78	41.48	
Low			2.9x	3.5x	56,550	17.21	9.85	

APPENDIX G

INFORMATION CONCERNING MONTEREY

Corporate Information

Monterey was continued under the laws of Alberta on December 28, 2005. The head office of Monterey is located at Suite 1000, 500 4th Avenue S.W. Calgary, Alberta T2P 2V6, and the registered office of Monterey is located at Suite 1400, 350 – 7th Avenue S.W., Calgary, Alberta T2P 3N9.

Monterey is an Alberta based corporation which has been engaged in the business of acquiring crude oil and natural gas properties and exploring for, developing and producing crude oil and natural gas in western Canada since it began active operations in January 2006. The business plan of Monterey is to create value on a production and reserve per share basis in the oil and gas industry in western Canada. To accomplish this, Monterey has pursued an integrated growth strategy including focused exploration, controlled exploitation and strategic acquisitions within its geographic project areas.

Further details concerning Monterey, including information with respect to Monterey's assets, operations and history, are provided in the annual information form of Monterey dated March 18, 2010 (the "**Monterey AIF**") and other documents incorporated by reference into this Information Circular. Readers are encouraged to thoroughly review these documents as they contain important information about Monterey. See "*General Development of the Business*" and "*Description of the Business and Operations*" in the Monterey AIF.

Recent Developments

Monterey Credit Facility

During the second quarter of 2010, Monterey completed the renewal of its credit facility (the "**Facility**") with a Canadian banking institution (the "**Lender**").

The Facility permits Canadian and U.S. dollar borrowings to finance Monterey's operations. Under the Facility, Monterey has the ability to borrow from the Lender up to \$45 million in the form of: (i) revolving prime based and US prime based borrowing in multiples of \$25,000; (ii) issue of guaranteed notes and LIBOR borrowing subject to minimum borrowings of \$1 million and additional amounts in multiples of \$0.1 million having terms to maturity from 15 to 365 days from the date of issue; and (iii) letters of credit/guarantee, to a cumulative maximum of \$12.5 million, for a period of up to one year. The Facility also provides Monterey with access to a derivatives facility whereby Monterey may enter into U.S. foreign exchange forward contracts or interest and commodity derivatives contracts with the Lender. Covenants on Monterey's derivatives facility limit the commodity derivatives contracts entered into by Monterey to a maximum of 60% of Monterey's annualized before royalties production as reported in the most recently completed calendar quarter and that the term of any commodity contract may not exceed a period of two years.

Under the Facility (i) interest rates on Canadian and US dollar prime based borrowing are at the applicable Lender's prime lending rate plus 1.25%; (ii) on the issue of guaranteed notes or LIBOR borrowing Monterey is required to pay the base rate plus a stamping fee of 2.5% per annum; and (iii) a fee equal to 1.25% per annum is payable at issue, on letters of credit/guarantee. Depending on the form of drawings and the total amounts drawn under the Facility, borrowings are subject to interest expense at the Lender's prime rate plus incremental interest rates ranging from 1.25% to 2.50%. Monterey also pays a monthly stand-by fee on the average unused portion of the Facility at a rate of 0.35% per annum.

The Lender has the right to demand repayment or to terminate all or a portion of the amount of the borrowings availability under the Facility at any time without notice. Monterey has the right to draw against the Facility, repay amounts borrowed or convert the type of borrowings subject to providing same day notice for borrowings less than \$5.0 million and one business day notice for borrowings of \$5.0 million or more.

The Facility is guaranteed by a Monterey general security agreement providing a floating charge on all Monterey's lands and a security interest over all present and subsequently acquired personal property. Under the terms of the Facility, Monterey is obligated to meet certain covenants including providing certain financial and engineering information in a timely manner; however, Monterey is only required to meet one numerical financial covenant, consisting of the Lender's requirement for Monterey to maintain a working capital ratio of at least 1:1.00. The working capital ratio as defined by the Lender is equal to current assets as defined in accordance with GAAP plus the undrawn portion of the credit facility, divided by Monterey's current liabilities as defined under GAAP, with financial instrument receivables or payables excluded from the determination of current assets or liabilities.

Groundbirch Operations

Monterey resumed drilling operations at Groundbirch in mid-June with a 4 well development pad directly offsetting the first horizontal well completed and tested in November 2009. The first well on this pad was drilled and cased in mid-July at a total cost of approximately \$2.3 million and the rig is currently drilling the horizontal section of the next well on the same pad. A second drilling rig contracted to Monterey was moved into the field during the first week of August and is currently drilling the first well of a second multi-well development pad. The multi-well completion programs are scheduled to commence in early October.

The fabrication of the components related to the 28 mmcf/d processing facility continues on schedule with the first deliveries in the field to occur in early September. Construction and commissioning of this facility is scheduled to be completed prior to the end of 2010. Monterey has started the design and regulatory approval process for an additional 28 mmcf/d expansion scheduled for completion in the second half of 2011.

Significant Acquisitions

There are no acquisitions that Monterey has completed within 75 days prior to the date of this Information Circular that is a significant acquisition for the purposes of Part 8 of NI 51-102. In addition, there are no proposed acquisitions that have progressed to a state where a reasonable person would believe that the likelihood of the acquisition being completed is high and would be a significant acquisition for the purposes of Part 8 of NI 51-102 if completed as of the date of this Information Circular.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Appendix G are forward-looking statements. These statements relate to future events or Monterey's future performance. All statements contained herein that are not clearly historical in nature are forward-looking, and the words "may", "will", "should", "could", "expect", "plan", "intend", "anticipate", "believe", "estimate", "propose", "predict", "potential", "continue", or the negative of these terms or other comparable terminology are generally intended to identify forward-looking statements. Such statements represent Monterey's internal projections, estimates or beliefs concerning, among other things, an outlook on the estimated amounts and timing of capital expenditures, anticipated future debt levels and revenues or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. These statements are only predictions. Actual events or results may differ materially. In addition, this Appendix G and the documents incorporated by reference herein may contain forward-looking statements attributed to third party industry sources. Undue reliance should not be placed on these forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur.

Forward-looking statements included or incorporated by reference in this Appendix G include, but are not limited to, statements with respect to:

- the obtaining of all required regulatory approvals in connection with the Arrangement;
- the Effective Date;
- the development of Monterey's Montney gas project in the Groundbirch area of northeast British Columbia, including the construction of a natural gas processing facility;
- the interpretation of geological formations from prior exploration and development activities;
- Monterey's capital expenditure and investment program and the timing and results therefrom;

- drilling inventory, drilling plans and timing of drilling, completion and tie-in of wells;
- plans for facilities construction and completion and the timing and method of funding thereof;
- productive capacity of wells, anticipated or expected production rates and anticipated dates of commencement of production;
- results of various projects of Monterey;
- the impact of changes in oil and natural gas prices on cash flow;
- expectations regarding the ability to raise capital and to add to reserves;
- oil and natural gas production levels and sources of their growth;
- the performance characteristics of Monterey's oil and natural gas properties;
- timing of development of undeveloped reserves;
- the existence, operation and strategy of Monterey's commodity price risk management program;
- Monterey's business, disposition and acquisition strategy, the criteria to be considered in connection therewith and the benefits to be derived therefrom;
- the impact of Canadian federal and provincial governmental regulation on Monterey relative to other oil and gas issuers of similar size;
- expected levels of royalty rates, operating costs, general administrative costs, costs of services and other costs and expenses;
- determination of future quantities of oil and natural gas reserves and the size of and future net revenues therefrom;
- ability to meet current and future obligations;
- the tax horizon and taxability of Monterey;
- treatment under governmental regulatory regimes and tax laws;
- projections of market prices and costs;
- weighting of production between different commodities;
- supply and demand for oil and natural gas;
- the ability to obtain equipment, services and supplies in a timely manner to carry out its activities;
- the ability to market oil and natural gas successfully to current and new customers;
- the timing and costs of pipeline, terminal and storage facility construction and expansion and the ability to secure adequate product transportation;
- the ability to obtain financing on acceptable terms;
- currency, exchange and interest rates;
- potential dispositions and acquisitions;
- the timely receipt of governmental approvals; and
- realization of the anticipated benefits of acquisitions and dispositions.

Although Monterey believes that the expectations reflected in such forward-looking statements are reasonable, undue reliance should not be placed on forward-looking statements because Monterey cannot give assurance that such expectations will prove to be correct. Monterey cannot guarantee future results, levels of activity, performance, or achievements. Moreover, Monterey assumes no responsibility for the outcome of the forward-looking statements. Forward-looking statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by Monterey and described in the forward-looking statements. Readers should carefully consider the information contained under the heading "*Risk Factors*" in the Information Circular, Appendix G and Appendix H and all other information included in or incorporated by reference in this Information Circular.

Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this Appendix G and in certain documents incorporated by reference herein include, but are not limited to:

- general economic conditions in Canada and globally;
- the ability of management to execute its business plan;
- fluctuations in the price of oil and natural gas, interest and exchange rates;
- the risks of the oil and gas industry both domestically and internationally, such as operational risks in exploring for, developing and producing crude oil and natural gas and market demand;

- governmental regulation of the oil and gas industry, including environmental regulation;
- actions taken by governmental authorities, including increases in taxes and changes in government regulations and incentive programs;
- geological, technical, drilling and processing problems;
- risks and uncertainties involving geology of oil and gas deposits;
- risks inherent in marketing operations, including credit risk;
- the ability to enter into or renew leases;
- uncertainties inherent in estimating quantities of oil and natural gas reserves and cash flows derived therefrom;
- the uncertainty of estimates and projections relating to production, costs and expenses;
- potential delays or changes in plans with respect to exploration or development projects or capital expenditures;
- availability of sufficient financial resources on commercially favourable terms to fund Monterey's capital expenditures;
- uncertainty of finding reserves, developing and marketing those reserves;
- unanticipated operating events which could reduce production or cause production to be shut-in or delayed;
- incorrect assessments of the value of acquisitions;
- ability to locate satisfactory properties for acquisition or participation;
- shut-ins of connected wells resulting from extreme weather conditions;
- insufficient storage or transportation capacity;
- 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;
- encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations;
- the ability to add production and reserves through development and exploration activities;
- the possibility that government policies or laws, including laws and regulations related to the environment, may change or governmental approvals may be delayed or withheld;
- uncertainty in amounts and timing of royalty payments;
- failure to obtain industry partner and other third party consents and approvals, as and when required;
- stock market volatility and market valuations;
- competition for, among other things, capital, acquisition of reserves, undeveloped land and skilled personnel;
- failure to realize the anticipated benefits of acquisitions and dispositions; and
- the other factors considered under "*Risk Factors*" in the Monterey AIF which is incorporated by reference herein, and other filings with Canadian securities authorities.

In addition, please note that 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. With respect to forward-looking statements contained or incorporated by reference in this Appendix G, Monterey has made assumptions regarding: the price of oil and natural gas; future exchange rates; the impact of increasing competition; conditions in general economic and financial markets; that drilling and related equipment will be available; that skilled labour will be available; current technology; cash flow; commodity prices; production rates; timing and amount of capital expenditures; marketability of oil and natural gas; royalty rates; effects of regulation by governmental agencies; future operating costs and that Monterey will be able to obtain financing on acceptable terms. Management has included the above summary of assumptions and risks related to forward-looking statements included in this Appendix G and the documents incorporated by reference herein in order to provide readers with a perspective on the risks involved in Monterey's operations. Readers are cautioned that these statements may not be appropriate for other purposes.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this Appendix G, and the documents incorporated by reference herein are made as of the date of the respective document and are expressly qualified by this cautionary statement. The Corporation 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.

Documents Incorporated by Reference

Information has been incorporated by reference in this Appendix G from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Monterey at Suite 1000, 500 – 4th Avenue, S.W., Calgary, Alberta, T2P 2V6, telephone (403) 691-7725. In addition, copies of the documents incorporated herein by reference may be obtained by accessing the disclosure documents available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com. The Corporation's SEDAR profile number is 27353.

The following documents of Monterey filed with the various securities commissions or similar authorities in the provinces of Canada are specifically incorporated by reference into and form an integral part of this Appendix G:

- (a) the Monterey AIF;
- (b) the audited comparative financial statements of Monterey as at and for the years ended December 31, 2009 and December 31, 2008, together with the notes thereto and the auditors' report thereon;
- (c) management's discussion and analysis of the financial condition and results of operations of Monterey for the year ended December 31, 2009;
- (d) the unaudited comparative financial statements of Monterey as at and for the three and six month periods ended June 30, 2010, together with the notes thereto;
- (e) management's discussion and analysis of the financial condition and results of operations of Monterey for the three and six month periods ended June 30, 2010;
- (f) the information circular – proxy statement of Monterey dated April 15, 2010 relating to the annual meeting of shareholders held on May 26, 2010;
- (g) the information circular – proxy statement of Monterey dated May 14, 2009 relating to the annual and special meeting of shareholders held on June 24, 2009;
- (h) the material change report of Monterey dated February 4, 2010 in respect of the short form prospectus financing announced on February 2, 2010;
- (i) the material change report of Monterey dated May 10, 2010 in respect of (i) the results of Monterey's updated Groundbirch reserve report and estimated future net revenues in respect thereof; (ii) updated total corporate pro forma reserves; (iii) a crown land acquisition by Monterey at Groundbirch in northeast British Columbia; (iv) the results of an updated resource report in respect of Monterey's land holdings at Groundbirch; (v) details of a Groundbirch facilities agreement; (vi) details in respect of a non-core asset disposition; and (vi) updated guidance on 2010 and 2011 production and capital expenditures; and
- (j) the material change report of Monterey dated July 21, 2010 in respect of the Arrangement.

Any documents of the type required by National Instrument 44-101 – *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus, including any material change reports (excluding confidential reports), comparative interim financial statements, comparative annual financial statements and the auditor's report thereon, management's discussion and analysis of financial condition and results of operations, information circulars, annual information forms and business acquisition reports filed by Monterey with the securities commissions or similar authorities in Canada subsequent to the date of this Information Circular and before the Effective Date, are deemed to be incorporated by reference in this Information Circular.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Appendix G to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Appendix G.

Consolidated Capitalization

Designation (Authorization)	Outstanding as at December 31, 2009	Outstanding as at June 30, 2010	Outstanding as at July 31, 2010
(amounts in millions of \$, except share amounts)			
Facility ⁽¹⁾ (\$45 million)	\$22.6	\$28.8	\$27.9
Monterey Shareholders' Capital (unlimited Monterey Common Shares)	\$108.1 (41,002,500 Monterey Common Shares) ⁽²⁾	\$126.1 (45,966,167 Monterey Common Shares) ⁽³⁾	\$126.1 (45,966,167 Monterey Common Shares) ⁽⁴⁾

Notes:

- (1) For additional information see "*Recent Developments – Monterey Credit Facility*" above.
- (2) As at December 31, 2009, Monterey had 3,968,166 Monterey Options Outstanding.
- (3) As at June 30, 2010, Monterey had 3,788,166 Monterey Options Outstanding.
- (4) As at July 31, 2010, Monterey had 3,788,166 Monterey Options Outstanding.

Description of Share Capital

The authorized share capital of Monterey consists of an unlimited number of Monterey Common Shares. As of August 11, 2010, there were 45,966,167 Monterey Common Shares issued and outstanding and an additional 3,788,166 Monterey Common Shares reserved for issuance upon the exercise of outstanding Monterey Options.

Monterey Shareholders are entitled to receive notice of, to attend and vote at all meetings of Monterey Shareholders and are entitled to one vote, in person or by proxy, for each Monterey Common Share held. Monterey Shareholders are entitled to receive, if, as and when declared by the directors of Monterey, dividends at such rate and payable on such date as may be determined from time to time by the Monterey Board of Directors, subject to prior satisfaction of all preferential rights to dividends attached to all shares of other classes of shares of Monterey ranking in priority to the Monterey Common Shares in respect of dividends. On the liquidation, dissolution or wind-up of Monterey, or any other distribution of the assets of Monterey among its shareholders for the purpose of winding-up its affairs, the Monterey Shareholders shall be entitled to receive the remaining property and assets of Monterey.

Prior Sales

Monterey has not sold or issued any Monterey Common Shares or securities convertible into Monterey Common Shares during the 12-month period prior to the date of this Information Circular other than as follows:

1. on May 14, 2010, Monterey issued 90,000 Monterey Options at an exercise price of \$4.18 per Monterey Common Share;

2. on April 12, 2010, Monterey issued 50,000 Monterey Options at an exercise price of \$3.54 per Monterey Common Share;
3. on February 19, 2010, Monterey issued 4,762,000 Monterey Common Shares at an issue price of \$4.20 per share for total gross proceeds of approximately \$20 million;
4. on October 1, 2009, Monterey issued 5,450,000 Monterey Common Shares at an issue price of \$1.85 per share and 2,650,000 Flow-Through Shares at an issue price of \$2.28 per share for total gross proceeds of approximately \$16.1 million;
5. on October 15, 2009, Monterey issued 90,000 Monterey Options at an exercise price of \$2.40 per Monterey Common Share;
6. on November 30, 2009, Monterey issued 722,500 Monterey Options at an exercise price of \$3.85 per Monterey Common Share; and
7. on December 7, 2009 Monterey issued 20,000 Monterey Options at an exercise price of \$4.40 per Monterey Common Share.

Price Range and Trading Volume of Monterey Common Shares

The Monterey Common Shares trade on the TSX under the symbol "MXL". The following table sets forth the price range and trading volumes for the Monterey Common Shares on the TSX as reported by the TSX for the periods indicated:

Date	High (\$)	Low (\$)	Trading Volume
2009			
January	0.76	0.60	417,459
February	0.80	0.61	740,633
March	1.10	0.63	2,274,748
April	1.75	0.95	2,771,752
May	1.80	1.26	1,072,164
June	1.86	1.40	600,221
July	1.50	1.35	506,832
August	1.85	1.40	450,364
September	2.78	1.46	996,183
October	3.05	1.82	1,727,215
November	4.30	2.75	3,676,943
December	5.58	3.98	2,200,436
2010			
January	5.83	3.95	1,503,049
February	4.52	3.85	2,411,619
March	4.59	2.99	1,984,441
April	3.99	3.13	3,693,174
May	4.44	3.29	2,699,320
June	4.95	4.00	1,545,779
July	8.25	4.21	18,244,524
August (1-11)	8.35	8.03	2,128,016

Risk Factors

An investment in the Monterey Common Shares is subject to certain risks. Readers should consider carefully the risk factors in this Information Circular and as described under "Risk Factors" in the Monterey AIF which are incorporated into and form part of this Information Circular. All statements regarding Monterey's business should be viewed in light of these risk factors. Readers should consider carefully whether an investment in

the Monterey Common Shares is suitable for them in the light of the information set forth in this Appendix G and in the documents incorporated by reference. Such information does not purport to be an exhaustive list. If any of the identified risks were to materialize, Monterey's business, financial position, results and/or future operations may be materially affected. Additional risks and uncertainties not presently known to Monterey, or which Monterey currently deems immaterial, may also have an adverse effect upon Monterey. **Readers should carefully review and consider all other information contained in this Information Circular and in the documents incorporated by reference in Appendix G and Appendix H before making an investment decision and consult their own professional advisors where necessary.**

Forward-Looking Information May Prove to be Inaccurate

Readers are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Additional information on the risks, assumptions and uncertainties can be found under the heading "*Cautionary Statements – Forward-Looking Statements*" in this Appendix G.

Possible Failure to Realize Anticipated Benefits of the Arrangement

Monterey is proposing to complete the Arrangement for a number of reasons, including, but not limited to, the reasons and benefits as listed and discussed under "*The Arrangement – Background to the Arrangement*" and "*The Arrangement – Benefits of the Arrangement*". Achieving the anticipated benefits of the Arrangement depends in part on a successful transition of functions, operations and procedures, as well as Pengrowth's ability to realize on the anticipated growth opportunities resulting from the Arrangement. There can be no certainty that the perceived benefits of the Arrangement will be realized in part or at all.

Interest of Experts

Certain legal matters relating to the Arrangement will be passed upon by Burnet, Duckworth & Palmer LLP on behalf of Monterey, and by Bennett Jones LLP on behalf of the Pengrowth Parties.

As at the date hereof, the partners and associates of each of Burnet, Duckworth & Palmer LLP (other than Mr. John A. Brussa who holds approximately 1.3% of the outstanding Monterey Common Shares) and Bennett Jones LLP, as a group, each owned, directly or indirectly, less than 1% of the outstanding Monterey Common Shares. As at the date hereof, the principals of GLJ Petroleum Consultants Ltd., Monterey's independent reserves evaluator, as a group, owned, directly or indirectly, less than 1% of the outstanding Monterey Common Shares. Mr. John A. Brussa, a director of Monterey is a Partner of Burnet, Duckworth & Palmer LLP, and Jacob R. Hoepfner, the Corporate Secretary of Monterey, is an Associate at Burnet, Duckworth & Palmer LLP, which law firm renders legal services to Monterey.

KPMG LLP, Chartered Accountants is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

Auditors, Transfer Agent and Registrar

The auditors of Monterey are KPMG LLP, Chartered Accountants, 2700, 205 – 5th Avenue S.W., Calgary, Alberta T2P 4B9.

Alliance Trust Company, at its principal offices in Calgary, Alberta and the Bank of New York Trust Company of Canada in Toronto, Ontario have been appointed as the registrar and transfer agent for the Monterey Common Shares.

APPENDIX H

INFORMATION CONCERNING PENGROWTH AND PENGROWTH CORPORATION

General

Pengrowth is an energy investment trust that was created under the laws of the Province of Alberta on December 2, 1988. The purpose of Pengrowth is to pay distributions to holders of Pengrowth Trust Units ("**Unitholders**") and to purchase and hold royalty units and other securities issued by Pengrowth Corporation, its wholly-owned subsidiary, as well as other investments and to issue Pengrowth Trust Units to members of the public. Pengrowth Corporation directly and indirectly acquires, owns and manages working interests and royalty interests in oil and natural gas properties. The head office and registered office of Pengrowth is located at 2100, 222 – 3rd Avenue S.W., Calgary, Alberta, Canada, T2P 0B4.

Pengrowth Energy Trust

Pengrowth is governed by the Trust Indenture. Under the Trust Indenture, Pengrowth has issued Pengrowth Trust Units to Unitholders. Each Pengrowth Trust Unit represents a fractional undivided beneficial interest in Pengrowth. Unitholders receive monthly distributions as declared by the Board of Directors (as defined below) in respect of the royalty Pengrowth Corporation pays to the holder of the royalty units, and in respect of investments that are held by Pengrowth.

Pengrowth holds 100 percent of the outstanding common shares in the capital of Pengrowth Corporation. Pengrowth also holds all of the royalty units issued by Pengrowth Corporation. Pengrowth holds other permitted investments, including indebtedness of Pengrowth Corporation and oil and gas processing facilities. Pengrowth's share of royalty income, together with any lease, interest and other income of Pengrowth, less general and administrative expenses, management fees, debt repayment, taxes and other expenses (provided that there is no duplication of expenses already deducted from royalty income), forms the cash to be distributed by Pengrowth.

Pengrowth Corporation

Pengrowth Corporation was created under the laws of the Province of Alberta on December 30, 1987. Pengrowth Corporation presently has 1,100 common shares issued and outstanding, all of which are owned by Pengrowth. These common shares do not participate in any distributions from Pengrowth Corporation.

Pengrowth Corporation acquires, owns and operates working interests and royalty interests in oil and natural gas properties. Pengrowth Corporation invests a percentage of cash flow on operated, low cost, low risk, repeatable drilling opportunities in the western Canadian sedimentary basin. Pengrowth Corporation has issued royalty units to Pengrowth, which entitles Pengrowth to receive a 99 percent share of the "royalty income" related to the oil and natural gas interests of Pengrowth Corporation.

Recent Developments

Pengrowth's Value Creation Strategy

Pengrowth's vision is to be a leading value creator of unconventional resource plays in the WCSB. Pengrowth's value creation strategy consists of three core principles of: (i) acquiring and developing operated unconventional resource plays in the WCSB; (ii) enhancing financial strength and flexibility; and (iii) becoming the best operator in its sector. Pengrowth's value creation strategy moves Pengrowth away from the financial trust model, where the focus had been on maximizing distributions, and towards an operated oil and gas company focused on re-investing a significant amount of cash flow through the drill bit. Consistent with this strategy, Pengrowth intends to convert to a dividend paying corporation on or before January 1, 2011.

On July 11, 2010, Pengrowth agreed to acquire all of the common shares of Monterey that it does not already own. The acquisition of Monterey represents another significant step for Pengrowth in executing its vision and value creation strategy. Monterey's concentrated, Montney resource-focused asset base in the Groundbirch area of northeast British Columbia will provide Pengrowth with a new core area with a deep inventory of operated, low-risk drilling opportunities that provide excellent full cycle economics.

Significant Acquisitions

There are no acquisitions that Pengrowth has completed within 75 days prior to the date of this Information Circular that is a significant acquisition for the purposes of Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations* ("NI 51-102"). In addition, there are no proposed acquisitions that have progressed to a state where a reasonable person would believe that the likelihood of the acquisition being completed is high and would be a significant acquisition for the purposes of Part 8 of NI 51-102 if completed as of the date of this Information Circular.

Documents Incorporated by Reference

Information in respect of Pengrowth has been incorporated by reference in this Information Circular from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Pengrowth at 2100, 222 – 3rd Avenue S.W., Calgary, Alberta, T2P 0B4, phone (800) 223-4122. In addition, copies of the documents incorporated herein by reference may be obtained from the securities commissions or similar authorities in Canada through the SEDAR website at www.sedar.com.

The following documents of Pengrowth, filed with the various securities commissions or similar authorities in the jurisdictions where Pengrowth is a reporting issuer, are specifically incorporated by reference into this Information Circular:

1. Pengrowth's annual information form, dated March 8, 2010, for the year ended December 31, 2010 (the "**Pengrowth AIF**");
2. the audited comparative consolidated annual financial statements of Pengrowth as at and for the years ended December 31, 2009 and 2008, together with the notes thereto and the report of the auditors thereon;
3. management's discussion and analysis for the year ended December 31, 2009;
4. the comparative consolidated interim financial statements of Pengrowth as at and for the period ended June 30, 2010, together with the notes thereto;
5. management's discussion and analysis for the period ended June 30, 2010;
6. the management information circular of Pengrowth dated March 31, 2010 relating to the annual and special meeting of Unitholders held on May 11, 2010;
7. the information circular and proxy statement of Pengrowth dated May 5, 2009 relating to the annual and special meeting of Unitholders to held on June 9, 2009; and
8. the material change report of Pengrowth dated July 21, 2010.

Any documents of the type described in section 11.1 of Form 44-101F1 – *Short Form Prospectus*, filed by Pengrowth with the securities commissions or similar authorities in the provinces of Canada subsequent to the day of this Information Circular and prior to the Effective Date shall be deemed to be incorporated by reference in this Information Circular.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Information Circular to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Circular.

Pengrowth Exchangeable Shares

Definitions

For the purposes of the discussion below, the following terms shall have the meanings set forth below:

"Board of Directors" means the board of directors of Pengrowth Corporation;

"Current Market Price" means in the context of the "Exchange Ratio", in respect of a Pengrowth Trust Unit on any date, the weighted average trading price of the Pengrowth Trust Units on the TSX for the ten trading days preceding that date, or, if the Pengrowth Trust Units are not then listed on the TSX, on such other stock exchange or automated quotation system on which the Pengrowth Trust Units are listed or quoted, as the case may be, as may be selected by the Board of Directors for such purpose; provided, however, that if in the opinion of the Board of Directors the public distribution or trading activity of Pengrowth Trust Units for that period does not result in a weighted average trading price which reflects the fair market value of Pengrowth Trust Units, then the Current Market Price of Pengrowth Trust Units shall be determined by the Board of Directors, in good faith and in its sole discretion, and provided further that any such selection, opinion or determination by the Board of Directors shall be conclusive and binding;

"Distribution" means a distribution declared and payable or paid by Pengrowth in respect of the Pengrowth Trust Units, expressed as an amount per Pengrowth Trust Unit;

"Dividend Record Date" has the meaning given to that term in the Pengrowth Exchangeable Share Provisions;

"Exchange Ratio", at any time and in respect of each Pengrowth Exchangeable Share, shall initially be equal to one as at the Effective Date, and: (i) shall be increased on each cash distribution date between the Effective Date and the time as of which the Exchange Ratio is being calculated by an amount, rounded to the nearest five decimal places, equal to a fraction having as its numerator the Distribution, expressed as an amount per Pengrowth Trust Unit, paid on that cash distribution date multiplied by the Exchange Ratio immediately prior to the record date for such Distribution, and having as its denominator the Current Market Price on the first business day following the record date for such Distribution; and (ii) shall be reduced on each Dividend Record Date between the time at which that Pengrowth Exchangeable Share was issued and the time as of which the Exchange Ratio is calculated by an amount, rounded to the nearest five decimal places, equal to a fraction having as its numerator the dividend declared on that Dividend Record Date, expressed as an amount per Pengrowth Exchangeable Share multiplied by the Exchange Ratio immediately prior to that Dividend Record Date, and having as its denominator the Current Market Price on the date that is seven business days prior to that Dividend Record Date, provided such Exchange Ratio shall be increased on such other date as may be contemplated under a Trust Conversion if holders of Pengrowth Exchangeable Shares are required to exchange their Pengrowth Exchangeable Shares pursuant to the Trust Conversion prior to a record date for a Distribution; and

"Pengrowth Exchangeable Share Provisions" means the rights, privileges and conditions attaching to the Pengrowth Exchangeable Shares to be set forth in the Articles of Pengrowth Corporation at the Effective Date;

"Pengrowth Exchangeable Shares Transfer Agent" means Computershare Trust Company of Canada;

"Pengrowth Subco" means 1552168 Alberta Ltd.;

"Special Voting Unit, Series A Exchangeables" has the meaning set forth below in *"Voting and Exchange Trust Agreement"*; and

"Trust Conversion" means a reorganization in response to the announcement by the Minister of Finance (Canada) on October 31, 2006 relating to the taxation of public trusts in Canada whereby, directly or indirectly, the holders of Pengrowth Trust Units exchange their Pengrowth Trust Units for shares of Pengrowth Corporation (or a successor thereof).

Pengrowth Exchangeable Shares

Authorized

As at the Effective Date of the Arrangement, Pengrowth Corporation will be authorized to issue a number of Pengrowth Exchangeable Shares equal to the maximum number of Pengrowth Exchangeable Shares which are issuable pursuant to the Arrangement.

Ranking

The Pengrowth Exchangeable Shares will rank prior to the common shares and any other shares ranking junior to the Pengrowth Exchangeable Shares with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of Pengrowth Corporation to be paid rateably with holders of each other series of exchangeable shares of Pengrowth Corporation; provided that notwithstanding such ranking Pengrowth Corporation shall not be restricted in any way from repaying indebtedness of Pengrowth Corporation to Pengrowth from time to time.

Dividends

Holders of Pengrowth Exchangeable Shares, in priority to the common shares and any class of shares ranking junior to the Pengrowth Exchangeable Shares with respect to the payment of dividends, will be entitled to receive, as and when declared by the board of directors of Pengrowth Corporation in its sole discretion, from time to time, cumulative preferential cash dividends in an amount per share equal to the Exchange Ratio on the preceding business day multiplied by the fair market value of a Pengrowth Trust Unit as at the preceding business day (determined on the basis of the weighted average price of the Pengrowth Trust Unit on the TSX for the ten trading days preceding that date). It is not anticipated that dividends will be declared or paid on the Pengrowth Exchangeable Shares; however, the Board of Directors has the right in its sole discretion to do so, and if so, the Exchange Ratio would be reduced accordingly to reflect such dividends.

Certain Restrictions

Pengrowth Corporation will not, without obtaining the approval of the holders of the Pengrowth Exchangeable Shares as set forth below under *"Amendment and Approval"*:

- (a) pay any dividend on the common shares of Pengrowth Corporation or any other shares ranking junior to the Pengrowth Exchangeable Shares, other than stock dividends payable in common shares of Pengrowth Corporation or any such other shares ranking junior to the Pengrowth Exchangeable Shares;
- (b) redeem, purchase or make any capital distribution in respect of the common shares or any other shares ranking junior to the Pengrowth Exchangeable Shares;

- (c) redeem or purchase any other shares of Pengrowth Corporation ranking equally with the Pengrowth Exchangeable Shares with respect to the payment of dividends or on any liquidation distribution; or
- (d) issue any shares, other than Pengrowth Exchangeable Shares or common shares, which rank superior to the Pengrowth Exchangeable Shares with respect to the payment of dividends or on any liquidation distribution.

Notwithstanding the foregoing, the restrictions in paragraphs (a), (b) and (c) above shall only be applicable if dividends which have been declared on the outstanding Pengrowth Exchangeable Shares have not been paid in full.

Retraction of Pengrowth Exchangeable Shares by Holders

Subject to the Retraction Call Right (as hereinafter defined) of Pengrowth and Pengrowth Subco described below, a holder of Pengrowth Exchangeable Shares will be entitled at any time to require Pengrowth Corporation to redeem all, but not less than all, of the Pengrowth Exchangeable Shares held by such holder for an amount per Pengrowth Exchangeable Share to be satisfied by the issuance of that number of Pengrowth Trust Units equal to the Exchange Ratio as at the last business day prior to the date (the "**Retraction Date**") that is three business days after the date on which Pengrowth Corporation or the Pengrowth Exchangeable Shares Transfer Agent receives a Retraction Request (as hereinafter defined) in respect of the Pengrowth Exchangeable Shares to be redeemed (the "**Retraction Price**"). Fractional Pengrowth Trust Units will not be issued. Any amount payable on account of the Retraction Price that includes a fractional Pengrowth Trust Unit will be rounded to the nearest whole number of Pengrowth Trust Units.

Holders of the Pengrowth Exchangeable Shares may request redemption by presenting to Pengrowth Corporation or the Pengrowth Exchangeable Shares Transfer Agent a certificate or certificates representing the number of Pengrowth Exchangeable Shares the holder desires to have redeemed, together with a duly executed retraction request (a "**Retraction Request**") and such other documents as may be required to effect the redemption of the Pengrowth Exchangeable Shares. The redemption will become effective three business days after the date on which Pengrowth Corporation or the Pengrowth Exchangeable Shares Transfer Agent receives the Retraction Request from the holder.

Pengrowth Corporation is appointed as agent for the holders of Pengrowth Exchangeable Shares so that when a holder requests Pengrowth Corporation to redeem the Pengrowth Exchangeable Shares, Pengrowth Corporation, as agent for the holder offers to Pengrowth and Pengrowth Subco the overriding right (the "**Retraction Call Right**") to purchase on the Retraction Date all but not less than all of the Pengrowth Exchangeable Shares that the holder has requested Pengrowth Corporation to redeem at a purchase price per Pengrowth Exchangeable Share equal to the Retraction Price.

At the time of a Retraction Request by a holder of Pengrowth Exchangeable Shares, Pengrowth Corporation will immediately notify Pengrowth and Pengrowth Subco. Pengrowth or Pengrowth Subco must then advise Pengrowth Corporation on or before 4:30 p.m. (Calgary time) on the date on which Pengrowth Corporation notifies Pengrowth and Pengrowth Subco of the Retraction Request as to whether the Retraction Call Right will be exercised. If either Pengrowth or Pengrowth Subco so advises Pengrowth Corporation on or before 4:30 p.m. (Calgary time) on the date on which Pengrowth Corporation notifies Pengrowth and Pengrowth Subco of the Retraction Request, Pengrowth Corporation will notify the holder of Pengrowth Exchangeable Shares as soon as possible thereafter that the Retraction Call Right will be exercised. A holder may revoke his or her Retraction Request at any time prior to the close of business on the last business day immediately preceding the Retraction Date, in which case the holder's Pengrowth Exchangeable Shares will neither be purchased by Pengrowth or Pengrowth Subco nor be redeemed by Pengrowth Corporation. If the holder does not revoke his or her Retraction Request, the Pengrowth Exchangeable Shares that the holder has requested Pengrowth Corporation to redeem will on the Retraction Date be purchased by Pengrowth or Pengrowth Subco or redeemed by Pengrowth Corporation, as the case may be, in each case at a purchase price per Pengrowth Exchangeable Share equal to the Retraction Price.

The Retraction Call Right may be exercised, at the election of Pengrowth, by either Pengrowth or Pengrowth Subco.

If, as a result of solvency provisions of applicable law, Pengrowth Corporation is not permitted to redeem all Pengrowth Exchangeable Shares tendered by a retracting holder, Pengrowth Corporation will redeem only those Pengrowth Exchangeable Shares tendered by the holder as would not be contrary to such provisions of applicable law. The holder of any Pengrowth Exchangeable Shares not redeemed by Pengrowth Corporation will be deemed to have required Pengrowth to purchase such unretracted Pengrowth Exchangeable Shares in exchange for Pengrowth Trust Units on the Retraction Date pursuant to the optional Exchange Right (as described under "*Voting and Trust Exchange Agreement*").

Redemption of Pengrowth Exchangeable Shares.

Subject to applicable law and the Redemption Call Right of Pengrowth and Pengrowth Subco, Pengrowth Corporation:

- (a) will, on the date that is the tenth anniversary of the Effective Date (the "**Automatic Redemption Date**"), redeem all but not less than all of the then outstanding Pengrowth Exchangeable Shares for a redemption price per Pengrowth Exchangeable Share to be satisfied by, at the election of Pengrowth Corporation, either the issuance of that number of Pengrowth Trust Units equal to the Exchange Ratio as at the last business day prior to that Redemption Date (as that term is defined below) (the "**Redemption Price**") or, at the election of Pengrowth Corporation, an amount in cash equal to the Redemption Price;
- (b) may, at any time when the aggregate number of issued and outstanding Pengrowth Exchangeable Shares is less than 100,000 (the "**De Minimus Redemption Date**"), redeem all but not less than all of the then outstanding Pengrowth Exchangeable Shares for the Redemption Price per Pengrowth Exchangeable Share or, at the election of Pengrowth Corporation, an amount in cash equal to the Redemption Price per Pengrowth Exchangeable Share.

Fractional Pengrowth Trust Units will not be issued. Any amount payable on account of the Redemption Price that includes a fractional Pengrowth Trust Unit will be rounded to the nearest whole number of Pengrowth Trust Units.

Pengrowth Corporation will, at least 90 days prior to any Redemption Date, provide the registered holders of the Pengrowth Exchangeable Shares with written notice of the prospective redemption of the Pengrowth Exchangeable Shares by Pengrowth Corporation, including the number of Pengrowth Exchangeable Shares Pengrowth Corporation intends to redeem. On or after the date that such notice is provided, upon the holder's presentation and surrender of the certificates representing the Pengrowth Exchangeable Shares and such other documents as may be required at the registered office of Pengrowth Corporation or the office of the Pengrowth Exchangeable Shares Transfer Agent, Pengrowth Corporation will deliver the Redemption Price, or if applicable, a cheque for such amount, to the holder at the address of the holder recorded in Pengrowth Corporation's security register or by holding the Redemption Price, for pick-up by the holder at the registered office of Pengrowth Corporation or the office of the Pengrowth Exchangeable Shares Transfer Agent as specified in the written notice. The accidental failure or omission to give any notice of redemption to less than 10% of the holders of Pengrowth Exchangeable Shares (other than Pengrowth and Pengrowth Subco) will not affect the validity of any redemption of Pengrowth Exchangeable Shares pursuant to such notice.

Pengrowth Corporation will be appointed as agent for the holders of the Pengrowth Exchangeable Shares for the purpose of offering to Pengrowth and Pengrowth Subco the overriding right (the "**Redemption Call Right**"), notwithstanding a proposed redemption of the Pengrowth Exchangeable Shares by Pengrowth Corporation on the applicable Redemption Date, pursuant to the Pengrowth Exchangeable Share Provisions, to purchase on any Automatic Redemption Date, Optional Redemption Date or De Minimus Redemption Date all but not less than all of the Pengrowth Exchangeable Shares then outstanding (other than Pengrowth Exchangeable Shares held by Pengrowth or Pengrowth Subco) in exchange for the Redemption Price (satisfied by, at the election of the party exercising the Redemption Call Right, either the delivery of Pengrowth Exchangeable Shares or cash) and, upon the exercise of the Redemption Call Right, the holders of all of the then outstanding Pengrowth Exchangeable Shares will be obliged to sell all such shares to Pengrowth or Pengrowth Subco, as applicable. If either Pengrowth or Pengrowth Subco exercises the Redemption Call Right, Pengrowth Corporation's right to redeem the Pengrowth

Exchangeable Shares on the applicable Redemption Date will terminate. The Redemption Call Right may be exercised, at the election of Pengrowth, by either Pengrowth or Pengrowth Subco.

Liquidation of Pengrowth Corporation

In the event of the liquidation, dissolution or winding-up of Pengrowth Corporation or any other proposed distribution of the assets of Pengrowth Corporation among its shareholders for the purpose of winding up its affairs, a holder of Pengrowth Exchangeable Shares will be entitled to receive for each Pengrowth Exchangeable Share on the effective date of such liquidation, dissolution, winding-up or other distribution (the "**Liquidation Date**") an amount to be satisfied by the issuance of that number of Pengrowth Trust Units equal to the Exchange Ratio as at the last business day prior to that Liquidation Date (the "**Liquidation Amount**"). Fractional Pengrowth Trust Units will not be issued. Any amount payable on account of the Liquidation Amount that includes a fractional Pengrowth Trust Unit will be rounded to the nearest whole number of Pengrowth Trust Units.

On or after the Liquidation Date, a holder of Pengrowth Exchangeable Shares may surrender certificates representing such Pengrowth Exchangeable Shares, together with such other documents as may be required, to Pengrowth Corporation' registered office or the office of the Pengrowth Exchangeable Shares Transfer Agent. Upon receipt of the certificates and other documents and subject to the exercise by Pengrowth or Pengrowth Subco of the Liquidation Call Right, Pengrowth Corporation will deliver the Liquidation Amount to such holder at the address recorded in Pengrowth Corporation' security register or will hold the Liquidation Amount for pick-up by the holder at Pengrowth Corporation' registered office or the office of the Pengrowth Exchangeable Shares Transfer Agent, as specified by Pengrowth Corporation in a notice to such holders.

Pengrowth Corporation will be appointed as agent for the holders of the Pengrowth Exchangeable Shares for the purpose of offering to Pengrowth and Pengrowth Subco the overriding right (the "**Liquidation Call Right**") upon the occurrence of a liquidation, dissolution or winding-up of Pengrowth Corporation to purchase all but not less than all of the Pengrowth Exchangeable Shares then outstanding (other than Pengrowth Exchangeable Shares held by Pengrowth or Pengrowth Subco) at a purchase price per Pengrowth Exchangeable Share equal to the Liquidation Amount and, upon the exercise of the Liquidation Call Right, the holders thereof will be obligated to sell such Pengrowth Exchangeable Shares to Pengrowth or Pengrowth Subco, as applicable. The purchase by Pengrowth or Pengrowth Subco of all of the outstanding Pengrowth Exchangeable Shares upon the exercise of the Liquidation Call Right will occur on the Liquidation Date.

The Liquidation Call Right may be exercised, at the election of Pengrowth, by either Pengrowth or Pengrowth Subco.

Upon the occurrence of an Insolvency Event, as defined in the Voting and Exchange Trust Agreement, the trustee on behalf of the holders of the Pengrowth Exchangeable Shares will have the right to require Pengrowth or Pengrowth Subco to purchase any or all of the Pengrowth Exchangeable Shares then outstanding and held by such holders for the Liquidation Amount as described under "*Voting and Exchange Trust Agreement – Optional Exchange Right*".

Voting Rights

Except as required by applicable law, the holders of the Pengrowth Exchangeable Shares will not be entitled as such to receive notice of or attend any meeting of the shareholders of Pengrowth Corporation or to vote at any such meeting. Holders of Pengrowth Exchangeable Shares will have the notice and voting rights respecting meetings of Pengrowth that are provided in the Voting and Exchange Trust Agreement.

In connection with a Trust Conversion, the holders of Pengrowth Exchangeable Shares shall vote together with the holders of Pengrowth Trust Units through the Special Voting Unit created under the Pengrowth Indenture or as otherwise provided for in such Trust Conversion, and for greater certainty, the holders of the Pengrowth Exchangeable Shares shall not be entitled to a class vote. Each Pengrowth Exchangeable Share shall entitle the holder to that number of votes equal to the Exchange Ratio in effect on the record date of the meeting to approve the Trust Conversion. See "*Voting and Exchange Trust Agreement – Voting Rights*".

Anti-Dilution

The number of Pengrowth Trust Units for which the Pengrowth Exchangeable Shares are exchangeable will, in addition to being adjusted from time to time to conform to the Exchange Ratio, be subject to adjustment in the event of:

- (a) the subdivision, consolidation or reclassification of the Pengrowth Trust Units or the declaration by Pengrowth of a distribution payable in Pengrowth Trust Units (other than in the ordinary course);
- (b) the issue of rights, options or warrants to all or substantially all of the Pengrowth Trust Unitholders entitling them to subscribe for Pengrowth Trust Units or securities convertible or exchangeable into Pengrowth Trust Units; or
- (c) the issue, payment or distribution to all or substantially all of the Pengrowth Trust Unitholders of any assets (including evidence of indebtedness) or cash or other rights if such issuance, payment or distribution does not constitute a distribution paid in the ordinary course or an event described in (a) or (b) above.

Amendment and Approval

The rights, privileges, restrictions and conditions attaching to the Pengrowth Exchangeable Shares may be changed only with the approval of the holders thereof. Any such approval or any other approval or consent to be given by the holders of the Pengrowth Exchangeable Shares will be sufficiently given if given in accordance with applicable law and subject to a minimum requirement that such approval or consent be evidenced by a resolution passed by not less than two-thirds of the votes cast thereon (other than shares beneficially owned by Pengrowth, Pengrowth Subco or any of their respective subsidiaries and other affiliates) at a meeting of the holders of the Pengrowth Exchangeable Shares duly called and held at which holders of at least 10% of the then outstanding Pengrowth Exchangeable Shares are present in person or represented by proxy. In the event that no such quorum is present at such meeting within one-half hour after the time appointed therefor, then the meeting will be adjourned to such place and time (not less than ten days later) as may be determined at the original meeting and the holders of Pengrowth Exchangeable Shares present in person or represented by proxy at the adjourned meeting will constitute a quorum thereat and may transact the business for which the meeting was originally called. At the adjourned meeting, a resolution passed by the affirmative vote of not less than two-thirds of the votes cast thereon will constitute the approval or consent of the holders of the Pengrowth Exchangeable Shares.

Actions by Pengrowth under the Support Agreement and the Voting and Exchange Trust Agreement

Under the Pengrowth Exchangeable Share Provisions, Pengrowth Corporation will be required to take all such actions and do all such things as are necessary or advisable to perform and comply with its obligations under, and to facilitate the performance and compliance by Pengrowth with its obligations under, the Support Agreement and the Voting and Exchange Trust Agreement.

Non-resident Holders

Notwithstanding anything contained in the Pengrowth Exchangeable Share Provisions the obligation of Pengrowth Corporation to pay the Retraction Price, Liquidation Amount or Redemption Price (except in circumstances where Pengrowth Corporation elects to pay the Redemption Price in cash) in respect of the Pengrowth Exchangeable Shares which are held by a U.S. Person (as defined in the Pengrowth Exchangeable Share Provisions) or a resident of any foreign country shall be satisfied by delivering the Pengrowth Trust Units which would have been received by the affected holder to the Pengrowth Exchangeable Shares Transfer Agent who shall sell such Pengrowth Trust Units on the stock exchange on which the Pengrowth Trust Units are then listed and, upon such sale, the rights of the affected holder shall be limited to receiving the net proceeds of sale (net of applicable taxes) upon surrender of the certificates representing such Pengrowth Exchangeable Shares.

Voting and Exchange Trust Agreement

Voting Rights

In accordance with the Voting and Exchange Trust Agreement, Pengrowth will issue a special voting unit (the "**Special Voting Unit, Series A Exchangeables**") to the trustee for the benefit of the holders (other than Pengrowth and Pengrowth Subco) of the Pengrowth Exchangeable Shares. The Special Voting Unit, Series A Exchangeables will carry a number of votes, exercisable at any meeting at which Unitholders are entitled to vote equal to the number of outstanding Pengrowth Exchangeable Shares (other than shares held by Pengrowth and Pengrowth Subco). With respect to any written consent sought from the Unitholders, each vote attached to the Special Voting Unit, Series A Exchangeables will be exercisable in the same manner as set forth above.

Each holder of a Pengrowth Exchangeable Share on the record date for any meeting at which Unitholders are entitled to vote is entitled to instruct the trustee to exercise one of the votes attached to the Special Voting Unit, Series A Exchangeables for such Pengrowth Exchangeable Share. The trustee will exercise each vote attached to the Special Voting Unit, Series A Exchangeables only as directed by the relevant holder and, in the absence of instructions from a holder as to voting, will not exercise such votes. A holder may, upon instructing the trustee, obtain a proxy from the trustee entitling the holder to vote directly at the relevant meeting the votes attached to the Special Voting Unit, Series A Exchangeables to which the holder is entitled.

The trustee will cause to be sent to the holders of the Pengrowth Exchangeable Shares the notice of each meeting at which the Unitholders are entitled to vote, together with the related meeting materials and a statement as to the manner in which the holder may instruct the trustee to exercise the votes attaching to the Special Voting Unit, Series A Exchangeables, at the same time as Pengrowth sends such notice and materials to the Unitholders. The trustee will also send to the holders copies of all information statements, interim and annual financial statements, reports and other materials sent by Pengrowth to the Unitholders at the same time as such materials are sent to Unitholders. To the extent such materials are provided to the trustee by Pengrowth, the trustee will also send to the holders all materials sent by third parties to Unitholders, including dissident proxy circulars and tender and exchange offer circulars, as soon as possible after such materials are first sent to Unitholders.

All rights of a holder of Pengrowth Exchangeable Shares to exercise votes attached to the Special Voting Unit, Series A Exchangeables will cease upon the exchange of all such holder's Pengrowth Exchangeable Shares for Pengrowth Trust Units or cash, as applicable.

With the exception of administrative changes for the purpose of adding covenants for the protection of the holders of the Pengrowth Exchangeable Shares, making necessary amendments or curing ambiguities or clerical errors (in each case provided that the board of directors of each of Pengrowth Corporation and Pengrowth Subco and the trustee is of the opinion that such amendments are not prejudicial to the interests of the holders of the Pengrowth Exchangeable Shares), the Voting and Exchange Trust Agreement may not be amended without the approval of the holders of the Pengrowth Exchangeable Shares.

Optional Exchange Right

Upon the occurrence and during the continuance of an Insolvency Event (as defined in the Voting and Exchange Trust Agreement), a holder of Pengrowth Exchangeable Shares will be entitled to instruct the trustee to exercise the optional exchange right (the "**Exchange Right**") with respect to any or all of the Pengrowth Exchangeable Shares held by such holder, thereby requiring Pengrowth or Pengrowth Subco to purchase such Pengrowth Exchangeable Shares from the holder. Immediately upon the occurrence of (i) an Insolvency Event, (ii) any event which will, with the passage of time or the giving of notice, become an Insolvency Event, or (iii) the election by Pengrowth and Pengrowth Subco not to exercise a Call Right which is then exercisable by Pengrowth and Pengrowth Subco, Pengrowth Corporation and Pengrowth will give notice thereof to the trustee. As soon as practicable thereafter, the trustee will then notify each holder of Pengrowth Exchangeable Shares of such event or potential event and will advise the holder of its rights with respect to the optional Exchange Right.

The purchase price payable by Pengrowth or Pengrowth Subco for each Pengrowth Exchangeable Share to be purchased under the optional Exchange Right will be satisfied by the issuance of that number of Pengrowth Trust Units equal to the Exchange Ratio as at the last business day prior to the date of closing of the purchase and sale of such Pengrowth Exchangeable Shares under the optional Exchange Right (the "**Exchange Price**"). Fractional Pengrowth Trust Units will not be issued. Any amount payable on account of the Exchange Price that includes a fractional Pengrowth Trust Unit will be rounded to the nearest whole number of Pengrowth Trust Units.

If, as a result of solvency provisions of applicable law, Pengrowth Corporation is unable to redeem all of a holder's Pengrowth Exchangeable Shares which such holder is entitled to have redeemed in accordance with the Pengrowth Exchangeable Share Provisions, the holder will be deemed to have exercised the optional Exchange Right with respect to the unredeemed Pengrowth Exchangeable Shares and Pengrowth or Pengrowth Subco will be required to purchase such shares from the holder in the manner set forth above.

Automatic Exchange Right on Liquidation of Pengrowth

In the event of a Pengrowth Liquidation Event (as defined in the Voting and Exchange Trust Agreement), Pengrowth or Pengrowth Subco is required to purchase each outstanding Pengrowth Exchangeable Share (other than Pengrowth Exchangeable Shares held by Pengrowth or Pengrowth Subco) and holders of Pengrowth Exchangeable Shares are required to sell the Pengrowth Exchangeable Shares held by them at the fifth business day prior to the effective date of the Pengrowth Liquidation Event, by exchanging, for each Pengrowth Exchangeable Share held by such holder, that number of Pengrowth Trust Units equal to the Exchange Ratio as at the sixth business day prior to the effective date of the Pengrowth Liquidation Event of such exchange (the "**Automatic Exchange Right**"). Fractional Pengrowth Trust Units will not be issued. Any amount payable in respect of a Pengrowth Exchangeable Share in the event of a Pengrowth Liquidation Event that includes a fractional Pengrowth Trust Unit will be rounded to the nearest whole number of Pengrowth Trust Units.

Upon a holder's request and surrender of Pengrowth Exchangeable Share certificates, duly endorsed in blank and accompanied by such instrument of transfer as Pengrowth Corporation may reasonably require, Pengrowth will deliver to such holder certificates representing the number of Pengrowth Trust Units to which that holder is entitled to receive as at that date.

Support Agreement

Pengrowth Support Obligation

Under the Support Agreement, Pengrowth, Pengrowth Subco, Pengrowth Corporation and the Trustee will agree that:

- (a) Pengrowth and Pengrowth Subco will take all actions and do all things necessary to ensure that Pengrowth Corporation is able to pay to the holders of the Pengrowth Exchangeable Shares the Liquidation Amount in the event of a liquidation, dissolution or winding-up of Pengrowth Corporation, and to pay and otherwise perform its obligations with respect to the giving of a Retraction Request by a holder of Pengrowth Exchangeable Shares or a redemption of Pengrowth Exchangeable Shares by Pengrowth Corporation; and
- (b) Pengrowth will not vote or otherwise take any action or omit to take any action causing the liquidation, dissolution or winding-up of Pengrowth Corporation.

The Support Agreement will also provide that, without the prior approval of Pengrowth Corporation and the holders of the Pengrowth Exchangeable Shares and subject to exceptions set forth in the Support Agreement, Pengrowth will not distribute additional Pengrowth Trust Units or rights to subscribe therefor or other property or assets (other than Distributions that result in an adjustment to the Exchange Ratio) to all or substantially all of the Unitholders, nor change the rights, privileges or other terms of the Pengrowth Trust Units, unless the same or an equivalent distribution on, or change to the Pengrowth Exchangeable Shares (or in the rights of the holders thereof) is made simultaneously. In the event of any proposed take-over bid or similar transaction affecting the Pengrowth Trust

Units, will use reasonable efforts to take all actions necessary or desirable to enable holders of Pengrowth Exchangeable Shares to participate in such transaction to the same extent and on an economically equivalent basis as the Unitholders.

The Support Agreement will also provide that, as long as any outstanding Pengrowth Exchangeable Shares are owned by any person or entity other than the Trust, Pengrowth Subco or any of their respective subsidiaries and other affiliates, Pengrowth will, unless approval to do otherwise is obtained from the holders of Pengrowth Exchangeable Shares, remain the direct or indirect beneficial owner of more than 50% of all of the issued and outstanding voting securities of Pengrowth Corporation. With the exception of changes for the purpose of adding covenants for the protection of the holders of the Pengrowth Exchangeable Shares, making certain necessary amendments or curing ambiguities or clerical errors (in each case provided that the board of directors of Pengrowth Corporation, the board of directors of Pengrowth Subco, the Trustee and the Trustee's counsel are of the opinion that such amendments are not prejudicial to the interests of the holders of the Pengrowth Exchangeable Shares), the Support Agreement may not be amended without the approval of the holders of the Pengrowth Exchangeable Shares.

Under the Support Agreement, Pengrowth and Pengrowth Subco will agree to not exercise any voting rights attached to the Pengrowth Exchangeable Shares owned by them or any of their respective subsidiaries and other affiliates on any matter considered at meetings of holders of Pengrowth Exchangeable Shares (including any approval sought from such holders in respect of matters arising under the Support Agreement).

Prior Sales

The following is a description of prior sales of Pengrowth Trust Units and securities convertible into Pengrowth Trust Units which have occurred in the twelve months ended July 31, 2010:

- 28,847,000 Pengrowth Trust Units with an aggregate value of approximately \$285 million, after issue costs, to reduce indebtedness.
- 289,477 Pengrowth Trust Units with an aggregate value of approximately \$5.0 million upon the redemption of deferred entitlement units ("**DEUs**") granted under Pengrowth's deferred entitlement unit plan (the "**DEU Plan**").
- 500,511 Pengrowth Trust Units upon the exercise of rights (the "**Rights**") granted under Pengrowth's trust unit rights incentive plan (the "**Rights Plan**") for aggregate consideration of approximately \$3.1 million (representing the exercise price of such Rights).
- 2,007,529 Pengrowth Trust Units pursuant to Pengrowth's distribution reinvestment plan for aggregate consideration of approximately \$19.6 million.
- 148,185 Rights to acquire an equal number of Pengrowth Trust Units pursuant to the Rights Plan with a weighted average exercise price of \$10.26 per Trust Unit.
- 1,611,146 DEUs exercisable into an equal number of Pengrowth Trust Units pursuant to the DEU Plan and pursuant to the reinvestment of notional distributions earned on DEUs with a deemed value of \$11.24 per Trust Unit.
- 819,900 Pengrowth Trust Units pursuant to Pengrowth's at-the-market plan for aggregate consideration of approximately \$7.9 million.

Distribution History

Pengrowth currently makes monthly payments to its Unitholders on the 15th day of each month or the first business day following the 15th day. The record date for any distribution is ten business days prior to the distribution date or such other date as may be determined by the Board of Directors of Pengrowth. In accordance with stock exchange

rules, an ex-distribution date occurs two trading days prior to the record date to permit time for settlement of trades of securities and distributions must be declared a minimum of seven trading days before the record date.

Distributions can and may fluctuate in the future. The availability of cash flow for the payment of distributions is derived mainly from producing and selling oil, natural gas and related products and as such will at all times be dependent upon a number of factors, including commodity prices, production rates, proposed capital expenditures, our level of indebtedness and Pengrowth's ability to access equity and debt capital. The Board of Directors of Pengrowth will continue to examine distributions on a monthly basis while considering overall market conditions prior to setting the distribution level each month. The Board of Directors of Pengrowth cannot provide assurance that cash flow will be available for distribution to Unitholders in the amounts anticipated or at all.

The after-tax return from an investment in Pengrowth Trust Units to Unitholders, for Canadian income tax purposes, can be made up of both a return on, and a return of, capital. That composition may change over time, thus affecting an investor's after-tax return. Returns on capital are generally taxed as ordinary income or as dividends in the hands of a Unitholder. Returns of capital are generally tax-deferred for Unitholders who are resident in Canada for purposes of the Tax Act (and reduce such Unitholder's adjusted cost base in the Pengrowth Trust Unit for purposes of the Tax Act). Returns of capital to a Unitholder who is not resident in Canada for purposes of the Tax Act or is a partnership that is not a "Canadian partnership" for purposes of the Tax Act will be subject to Canadian withholding tax. Prospective Unitholders should consult their own tax advisors with respect to the Canadian income tax considerations in their own circumstances. See "*Certain Canadian Federal Income Tax Considerations*" and "*United States Federal Income Tax Considerations*" in the Pengrowth AIF.

The return on an investment in Pengrowth Trust Units is not comparable to the return on an investment in a fixed-income security. The recovery of the initial investment made by Unitholders is at risk, and the anticipated return on the Unitholder's investment is based on many performance assumptions. Although Pengrowth intends to make distributions of a portion of its available cash, these cash distributions may be reduced or suspended. **Cash distributions are not guaranteed.** The ability to make cash distributions and the actual amount distributed will depend on numerous factors including, among other things: its financial performance, debt obligations, working capital requirements and future capital requirements, all of which are susceptible to a number of risks. In addition, the market value of the Pengrowth Trust Units may decline as a result of many factors, including its inability to meet Pengrowth's cash distribution targets in the future, and that decline may be significant. Prospective purchasers of Pengrowth Trust Units also should consider the particular risk factors that may affect the industry in which Pengrowth operates, and therefore the stability of the distributions they would receive. See "*Risk Factors*" in the Pengrowth AIF. This section also describes Pengrowth assessment of those risk factors, as well as potential consequences to Unitholders if a risk should occur.

For the Month Ending	Cash Distribution Per Unit				
	2010	2009	2008	2007	2006
January	\$0.07	\$0.17	\$0.225	\$0.25	\$0.25
February	\$0.07	\$0.17	\$0.225	\$0.25	\$0.25
March	\$0.07	\$0.10	\$0.225	\$0.25	\$0.25
April	\$0.07	\$0.10	\$0.225	\$0.25	\$0.25
May	\$0.07	\$0.10	\$0.225	\$0.25	\$0.25
June	\$0.07	\$0.10	\$0.225	\$0.25	\$0.25
July		\$0.10	\$0.225	\$0.25	\$0.25
August		\$0.10	\$0.225	\$0.25	\$0.25
September		\$0.10	\$0.225	\$0.25	\$0.25
October		\$0.10	\$0.225	\$0.225	\$0.25
November		\$0.07	\$0.225	\$0.225	\$0.25
December		\$0.07	\$0.225	\$0.225	\$0.25

Note:

- (1) The above is based on the Distribution Payment Date Month.

If the Effective Date occurs on September 15, 2010, as currently scheduled, the first distribution of Pengrowth that all Unitholders (including former Monterey Securityholders who receive Pengrowth Trust Units

pursuant to the Arrangement) will be eligible to receive following the Effective Date is the distribution anticipated to be paid to Unitholders of record on September 30, 2010, which is anticipated to be paid on October 15, 2010.

Price Range and Trading Volume of Pengrowth Trust Units

Pengrowth Trust Units are listed on the TSX and the NYSE under the symbols "PGF.UN" and "PGH", respectively.

	Toronto Stock Exchange				New York Stock Exchange			
	Trust Unit Price Range			Volume	Trust Unit Price Range			Volume
	High	Low	Close		High	Low	Close	
	(Canadian \$ per Trust Unit)				(U.S. \$ per Trust Unit)			
2009								
August	9.77	8.85	9.40	7,476,432	9.01	8.21	8.62	21,763,092
September	11.33	8.95	11.33	13,588,246	10.54	8.08	10.51	31,307,977
October	11.39	9.60	10.26	23,603,708	10.61	8.80	9.20	47,559,265
November	10.52	9.76	10.13	8,142,095	10.04	9.04	9.61	22,417,294
December	10.42	9.40	10.15	10,736,778	9.94	8.88	9.63	26,691,909
2010								
January	11.30	10.15	10.75	10,678,116	10.92	9.72	10.10	25,571,177
February	11.32	10.62	11.00	7,304,902	10.73	9.93	10.45	19,346,573
March	11.96	11.02	11.75	15,393,052	11.78	10.51	11.66	23,496,740
April	12.00	11.14	11.65	10,886,992	11.97	10.97	11.52	22,006,003
May	11.72	8.50	10.09	11,436,919	11.60	4.19	9.48	31,081,224
June	10.42	9.45	9.73	11,713,736	10.27	8.97	9.16	19,000,731
July	10.34	9.40	9.93	19,383,723	10.03	8.85	9.63	20,248,393
August 1-11	10.25	9.89	9.99	4,324,450	9.98	9.55	9.55	5,449,928

On July 9, 2010, the last trading day on which Pengrowth Trust Units traded prior to announcement of the Arrangement, the closing price of Pengrowth Trust Units on the TSX was \$10.28 and on the NYSE was \$9.95. On August 11, 2010, the closing price of the Pengrowth Trust Units on the TSX was \$9.99 and on the NYSE was \$9.55.

Risk Factors

An investment in Pengrowth Trust Units is subject to certain risks. Readers should carefully consider the risk factors described under the heading "Risk Factors" in the Pengrowth AIF incorporated by reference in this Information Circular as well as the risk factors set forth below and elsewhere in this Information Circular.

Possible Failure to Realize Anticipated Benefits of Prior Acquisitions and the Arrangement

Pengrowth is proposing to complete the Arrangement to strengthen its position in the oil and natural gas industry and to create the opportunity to realize upon certain benefits including, among other things, accelerated growth through increased production, reserves and net asset value and the ability to make strategic acquisitions. Achieving the anticipated benefits of the proposed Arrangement depends in part on a successful transition of functions and operations, procedures, as well as Pengrowth's ability to realize on the anticipated growth opportunities resulting from the proposed Arrangement. See also the discussion under the heading "Risk Factors" in the Information Circular.

Legal Proceedings and Regulatory Actions

Pengrowth is sometimes named as a defendant in litigation. The nature of these claims is usually related to settlement of normal operational or labour issues. The outcome of such claims against Pengrowth are not determinable at this time, however they are not expected to have a materially adverse effect on Pengrowth as a

whole. Pengrowth is not, and has not been at any time within the most recently completed financial year, a party to any legal proceedings, known or contemplated, where the damages involved, excluding interest and costs, exceed ten percent of Pengrowth's assets.

Interest of Management and Others in Material Transactions

Other than as discussed herein, there are no material interests, direct or indirect, of directors, executive officers, senior officers, any direct or indirect Unitholder of Pengrowth who beneficially owns, or who exercises control over, more than 10 percent of the outstanding Pengrowth Trust Units or any known associate or affiliate of such persons, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect Pengrowth.

Mr. John Zaozirny, the Chairman of the Board of Directors, is the Vice Chair of Canaccord Capital Corporation. Canaccord Capital Corporation participated as a member of the syndicate of underwriters in connection with the October 23, 2009 equity offering by Pengrowth of 28,847,000 Pengrowth Trust Units and received a portion of the underwriters' fee from the offering.

Interests of Experts

As of the date hereof, the partners and associates of Bennett Jones LLP, as a group, beneficially own, directly or indirectly, less than one percent of the outstanding Pengrowth Trust Units. As of the date hereof, the directors and officers of GLJ, as a group, beneficially own, directly or indirectly, less than one percent of the outstanding Pengrowth Trust Units.

KPMG LLP are the auditors of Pengrowth and have confirmed that they are independent with respect to Pengrowth within the meaning of the Rules of Professional Conduct of the Alberta Institute of Chartered Accountants.

Auditors, Transfer Agent and Registrar

The transfer agent and registrar for the Pengrowth Trust Units is Computershare Trust Company of Canada at its principal offices in the cities of Montreal, Toronto, Calgary and Vancouver in Canada and Computershare Trust Company, Inc. at its principal offices in the cities of New York, New York and Denver, Colorado in the United States. The auditors of Pengrowth are KPMG LLP, Chartered Accountants in Calgary, Alberta.

Additional Information

Additional information relating to Pengrowth Energy Trust may be found on SEDAR at www.sedar.com. Additional financial information is contained in the Trust's comparative consolidated financial statements and associated management's discussion and analysis for the years ended December 31, 2009 and 2008.