

PRIMEWEST ENERGY TRUST

RENEWAL ANNUAL INFORMATION FORM

For the year ended December 31, 1999

March 23 , 2000

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ITEM 1: INCORPORATION

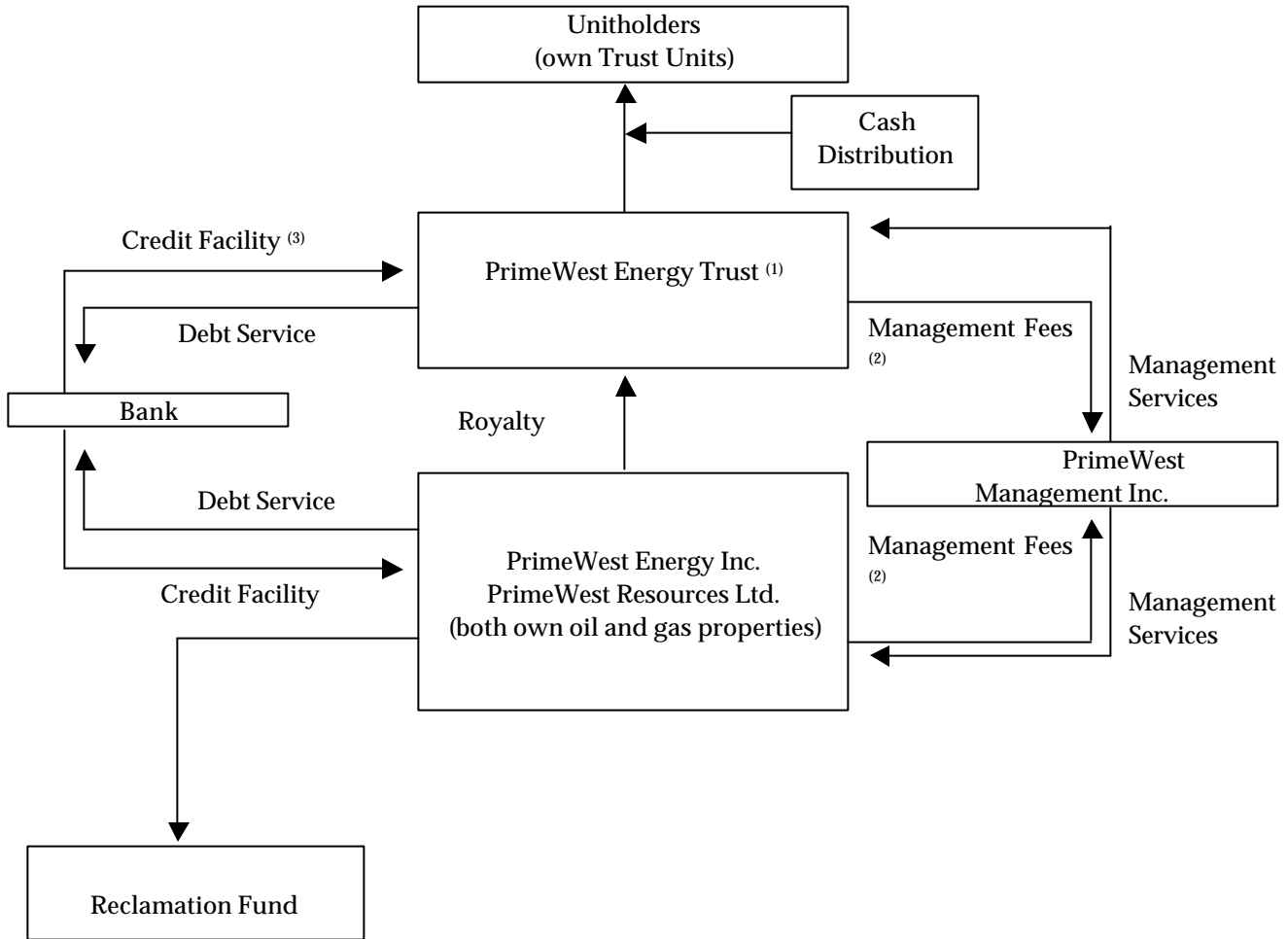
PrimeWest Energy Trust("The Trust") is an open-end investment trust created under the laws of Alberta pursuant to the Declaration of Trust. The undertaking of the Trust is to issue Trust Units to the public and to invest the Trust's funds, directly or indirectly, in petroleum and natural gas properties and assets related thereto. The sole beneficiaries of the Trust are the holders of Trust Units. The Trust Company of Bank of Montreal is the trustee of the Trust. The head office and principal place of business of the Trust is 1600, 530 – 8th Avenue S.W., Calgary, Alberta T2P 3S8. The appointment of The Trust Company of Bank of Montreal as Trustee was approved at the May 18, 1999 Annual General and Special Meeting of Unitholders. The current term of the Trustee's appointment expires at the conclusion of the sixth annual meeting of the unitholders, expected to be held in 2002.

PrimeWest Energy Inc. ("PrimeWest") was incorporated under the *Business Corporations Act* (Alberta) on March 4, 1996. PrimeWest's business is the acquisition, development, exploitation, production and marketing of petroleum and natural gas properties and granting the Royalty to the Trust. All of the issued and outstanding shares of PrimeWest are held by the Manager. PrimeWest Energy Inc. has a wholly-owned subsidiary, PrimeWest Resources Ltd.

PrimeWest Management Inc. ("The Manager") was incorporated on March 4, 1996 under the *Business Corporations Act* (Alberta). The head, principal and registered office of PrimeWest and the Manager is 1600, 530 – 8th Avenue S.W., Calgary, Alberta T2P 3S8.

Trust Structure

The following diagram represents the current structure of the Trust and the flow of funds from the petroleum and natural gas properties owned by PrimeWest and its subsidiary PrimeWest Resources Ltd. ("Resources") to PrimeWest, Resources, the Manager and the Trust, and from the Trust to Unitholders:



Notes:

- (1) The Declaration of Trust amendments approved by Unitholders at the Special and Annual General Meeting of Unitholders held May 21, 1998 allow the Trust to directly acquire and hold petroleum and natural gas properties, as well as the securities of any issuer holding such assets. To date, no petroleum and natural gas assets are held directly by the Trust.
- (2) The Manager is also reimbursed for general and administrative costs.
- (3) PrimeWest provides a guarantee on amounts borrowed by the Trust under the credit facility.

Organization and Structure of PrimeWest Energy Trust

The principal undertaking of the Trust is to acquire and hold, directly and indirectly, interests in petroleum and natural gas properties. The Trust's primary asset is currently the Royalty granted by PrimeWest pursuant to the Royalty Agreement. The Royalty entitles the Trust to receive 99 percent of the net cash flow generated by the petroleum and natural gas interests held from time to time by PrimeWest, after certain costs and deductions. The Distributable Income generated by the Royalty is then distributed monthly to Unitholders.

The Declaration of Trust

The Declaration of Trust, among other things, provides for the calling of meetings of Unitholders, the conduct of business at those meetings, notice provisions, the appointment, resignation and removal of the Trustee and the form of Trust Unit certificates. The Declaration of Trust may be amended from time to time. Substantive amendments to the Declaration of Trust, including extension or early termination of the Trust and the sale or transfer of the property of the Trust as an entirety, or substantially as an entirety, requires approval by special resolution of the Unitholders.

The following is a summary of certain provisions of the Declaration of Trust. For a complete description of that indenture, reference should be made to the Declaration of Trust, copies of which may be viewed at the offices of, or obtained from, the Trustee.

Trust Units

An unlimited number of Trust Units may be issued pursuant to the Declaration of Trust, each of which represents an equal fractional undivided beneficial interest in the Trust entitling the holder to receive monthly distributions of Distributable Income.

All Trust Units share equally in all distributions from the Trust, carry equal voting rights at meetings of Unitholders, and have a right of redemption on terms set out in the Declaration of Trust. No Unitholder is liable to pay any further calls or assessments in respect of the Trust Units other than any instalment payment arrangements that are applicable to an offering of Trust Units in respect of which the Unitholder acquired his Trust Units.

The Trust Units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act (*Canada*) and are not insured under the provisions of that Act or any other legislation. Furthermore, the Trust is not a trust company and, accordingly, is not registered under any trust and loan company legislation, as it does not carry on or intend to carry on the business of a trust company.

Trustee

The Trust Company of Bank of Montreal is the current trustee of the Trust and also acts as the transfer agent for the Trust Units. The Trustee is responsible for, among other things (a) accepting subscriptions for Trust Units and issuing Trust Units pursuant thereto; (b) maintaining the books and records of the Trust and providing timely reports to holders of Trust Units; and (c) paying cash distributions to Unitholders.

The Declaration of Trust provides that the Trustee is to exercise its powers and carry out its functions thereunder as Trustee honestly, in good faith and in the best interests of the Trust and the Unitholders and, in connection therewith, must exercise that degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances.

The current term of the Trustee's appointment will expire at the conclusion of the sixth annual meeting of Unitholders, expected to be held in 2002. Thereafter, the Trustee will be reappointed or changed every third annual meeting as may be determined by a majority of the votes cast at a meeting of the Unitholders. The Trustee may also be removed by a majority vote of the Unitholders in that regard. The Trustee may resign on 60 days' notice to PrimeWest. That resignation or removal becomes effective on the appointment of a successor trustee and the acceptance of that appointment and the assumption of the obligations of the Trustee by that successor trustee.

Cash Distributions

Cash distributions of Distributable Income are made on a monthly basis on the Cash Distribution Date following the end of each month, to Unitholders of record on the Record Date in that month.

Redemption Right

Trust Units are redeemable at any time on demand by the holder thereof upon delivery to the Trust of the certificates representing such Trust Units accompanied by a duly completed and properly executed notice requesting redemption. Upon such receipt of the redemption request, all of the Unitholder's rights to and under the Trust Units tendered for redemption are surrendered and the Unitholder becomes entitled to receive a price per Trust Unit as determined by a market price formula, subject to a monthly aggregate cash cap of up to \$100,000. The redemption price payable by the Trust may be satisfied by way of a cash payment, or in certain circumstances, including where such payment would cause the monthly cash cap to be exceeded, by way of an *in specie* distribution.

Meetings and Voting

Annual meetings of the Unitholders commenced in 1997. Special meetings of Unitholders may be called at any time by the Trustee and will be called by the Trustee on the written request of Unitholders holding in aggregate not less than 20 percent of the Trust Units. Notice of all meetings of Unitholders will be given to Unitholders at least 21 days and not more than 50 days prior to the meeting.

Unitholders may attend and vote at all meetings of such Unitholders either in person or by proxy and a proxy holder need not be a holder of Trust Units. At least two persons present in person or represented by proxy and representing in the aggregate not less than five percent of the votes attaching to all outstanding Trust Units constitute a quorum for the transaction of business at all those meetings. Unitholders are entitled to one vote per Trust Unit.

Limitation on Non-Resident Ownership

In order for the Trust to maintain its status as a mutual fund trust under the *Income Tax Act (Canada)*, the Trust must not be established or maintained primarily for the benefit of non-residents of Canada ("non-residents") within the meaning of the *Income Tax Act (Canada)*. Accordingly, the Declaration of Trust provides that at no time may non-residents be the beneficial owners of a majority of the Trust Units. If the Trustee becomes aware that the beneficial owners of 49 percent of the Trust Units then outstanding are or may be non-residents or that situation is imminent, the Trustee may make a public announcement in that regard and will not accept a subscription for Trust Units from or issue or register a transfer of Trust Units to a person unless the person provides a declaration that the person is not a non-resident. Notwithstanding the foregoing, if the Trustee determines that a majority of the Trust Units are beneficially held by non-residents, the Trustee may send a notice to non-resident Unitholders, chosen in inverse order to the order of acquisition or registration or in such other manner as the Trustee may consider equitable and practicable,

requiring those non-resident Unitholders to sell their Trust Units or part of them within a specified period of not less than 60 days. If the non-resident Unitholders receiving that notice have not sold the specified number of Trust Units or provided the Trustee with satisfactory evidence that they are not non-residents within that period, the Trustee may on behalf of those Unitholders sell those Trust Units and, in the interim, will suspend the voting and distribution rights attached to those Trust Units. When that sale by the Trustee occurs, the affected Unitholders will cease to be holders of Trust Units and their rights will be limited to receiving the net proceeds of sale on surrender of the certificates representing those Trust Units.

Compulsory Acquisition

The Declaration of Trust provides that if a person within either 120 days of making an offer to purchase all outstanding Trust Units or the time for acceptance provided in that offer (provided that such offer is open for acceptance for a period of not less than 45 days), whichever period is the shorter, acquires not less than 90 percent of the outstanding Trust Units (other than those held by that person and its affiliates), that person may acquire the Trust Units of the Unitholders who did not accept the offer on the same terms as those offered to those Unitholders who accepted the offer.

Termination of the Trust

The Unitholders may vote to terminate the Trust at any meeting of the Unitholders, provided that the termination must be approved by special resolution of the Unitholders.

Unless the Trust is terminated or extended by vote of the Unitholders earlier, the Trustee will commence to wind-up the affairs of the Trust on December 31, 2095. In the event that the Trust is wound-up, the Trustee will liquidate all the assets of the Trust, pay, retire, discharge or make provision for some or all obligations of the Trust and then distribute the remaining proceeds of the liquidation to Unitholders.

The Manager

Business

The principal business of the Manager is to provide administrative services to the Trust and to carry out the management of the business and affairs of PrimeWest, including managing the operation (where PrimeWest has been appointed operator) and administration of the petroleum and natural gas properties owned by PrimeWest.

Manager Compensation

The Manager is compensated for its services to PrimeWest and the Trust as follows:

- (a) a management fee equal to 2.5 percent of the net production revenue generated by the petroleum and natural gas interests held by PrimeWest or otherwise held directly or indirectly by the Trust, plus Alberta royalty tax credit, after certain adjustments for hedging activities, Crown royalties and other Crown charges, third-party processing and other income and certain non-capital operating costs;
- (b) quarterly incentive payments of Trust Units. The first quarterly incentive payment was 12,500 Trust Units and subsequent payments have increased in proportion to the number of additional Trust Units issued by the Trust. The most recent quarterly incentive payment was 17,956 Trust Units for the quarter ended December 31, 1999;
- (c) an acquisition fee equal to 1.5 percent of the purchase price of any properties acquired by PrimeWest or the Trust or of the enterprise value of the Person which owns petroleum and

natural gas rights or interests in the event of the acquisition of that Person by PrimeWest or the Trust, and a disposition fee equal to 1.25 percent of the sale price of any properties sold by PrimeWest, the Trust or any Person acquired by PrimeWest or the Trust;

- (d) reimbursement for general and administrative costs based on time spent and direct costs incurred in providing management and administrative services to PrimeWest and the Trust; and
- (e) one percent of the net cash flow generated by the petroleum and natural gas interests held by PrimeWest, the Trust or any Person acquired by PrimeWest or the Trust (without duplication), after certain costs, expenditures and deductions.

Management Policies and Acquisition Strategy

Activities undertaken by the Manager in overseeing the operations and administration of PrimeWest are directed toward achieving stable long-term growth in Distributable Income paid to the Unitholders and in the value of the properties owned by PrimeWest and the Trust. These two objectives are fundamental to the operation of the Trust and are balanced to enhance benefits to the Unitholders.

Unless PrimeWest is able to acquire additional petroleum and natural gas reserves or increase reserves through development activities, production from the properties owned by it will eventually decline. Accordingly, the Manager presents proposals to PrimeWest and the Trust to acquire producing properties or to participate in development activities that are considered to be of a low-risk nature in the oil and natural gas industry. When considering the acquisition of any petroleum and natural gas producing property, the Manager focuses on long-life properties with low reservoir risk. The properties may be operated either by PrimeWest or by other acceptable operators and must have the potential to increase Distributable Income and enhance the Trust's value through exploitation of those properties.

The Manager's acquisition strategy uses the following procedures and targets individual properties, or groups of properties, that generally comply with the following guidelines:

- (a) a property, or group of properties, acquired, directly or indirectly, pursuant to an acquisition will provide a forecast internal rate of return that is greater than 400 basis points above the yield of long-term (ten-year) Government of Canada bonds over the life of the reserves associated with that property or group of properties, after deducting general and administrative expenses and management fees and incorporating the impact of debt financing, but before income taxes;
- (b) properties where PrimeWest will become the operator are preferred;
- (c) commodity price and exchange rate assumptions used in acquisition evaluations will be from a major independent petroleum engineering firm;
- (d) each acquisition having a purchase price of \$5,000,000 or more will be based on an independent petroleum engineering report, the results of which report may be modified to incorporate the Manager's view of the engineering analysis contained in that report;
- (e) at no time will more than 25 percent of the total reserve value of the properties owned by PrimeWest or the Trust be attributable to a single property; and
- (f) the expected economic life of a property, or group of properties, acquired in a single transaction will not be less than 20 years.

The board of directors of PrimeWest may at its discretion approve acquisitions that do not conform to these guidelines, based on the board's consideration of other qualitative aspects of the subject properties including risk profile, technical upside, reserve life and asset quality.

Decision Making

PrimeWest, the Manager and the Trust are parties to a unanimous shareholder agreement which provides that Unitholders will be entitled to notice of and to attend all meetings of shareholders of PrimeWest and except as set forth below, to direct the manner in which the Manager will vote its shares in PrimeWest at all of those meetings. Accordingly, the Unitholders are entitled to direct the Manager as to the election of directors of PrimeWest (other than the nominees of the Manager), the approval of the financial statements of PrimeWest and the appointment of its auditors. The unanimous shareholder agreement also provides that the board of directors of PrimeWest will, subject to complying with applicable laws regarding the declaration of dividends, declare and pay dividends to the Manager in an amount representing one percent of its net cash flow.

The board of directors of PrimeWest is responsible for making significant decisions with respect to PrimeWest, including all decisions relating to (a) the acquisition, directly or indirectly, of petroleum and natural gas properties at a cost in excess of \$5,000,000 and the disposition of petroleum and natural gas properties for a sale price or proceeds in excess of \$2,000,000; (b) the approval of capital expenditure budgets; (c) the approval of risk management activities proposed to be undertaken by the Manager; and (d) the establishment of credit facilities. In addition, the Trustee has delegated certain matters regarding the Trust to PrimeWest, including all decisions relating to (i) issuances of Trust Units, (ii) the determination of the amount of distributions to be made by the Trust, and (iii) approvals required with regard to any proposed amendment to the Declaration of Trust, the management agreement, the royalty agreement or the unanimous shareholder agreement respecting the relationships among the Trust, PrimeWest and the Manager. The board of directors of PrimeWest holds regularly scheduled meetings to review the business and affairs of PrimeWest and the Trust.

ITEM 2: GENERAL DEVELOPMENT OF THE BUSINESS

On October 16, 1996, the Trust completed an initial public offering of 24,900,000 Trust Units on an instalment receipt basis of \$6.00 payable on October 16, 1996 and \$4.00 payable one year later, for total gross proceeds of \$249,000,000. The Trust used the net proceeds of that offering plus the assignment of the right to be paid the final instalment of \$4.00 per Trust Unit, to purchase the Royalty from PrimeWest. PrimeWest used the net proceeds from the sale of the Royalty to the Trust and debt in the amount of \$12,071,000 to acquire certain oil and gas properties.

During the year ended December 31, 1997, PrimeWest completed the acquisition of additional petroleum and natural gas reserves having an aggregate acquisition cost of approximately \$35 million. The most significant acquisition by PrimeWest during 1997 was completed in March 1997, of just over 3.9 million boe of Established Reserves for a purchase price of approximately \$6.47 per boe plus an amount for associated undeveloped land and processing revenues.

On February 25, 1998, PrimeWest implemented a Distribution Reinvestment Plan (the "DRIP") and Optional Trust Unit Purchase Plan of the Trust. The DRIP allows Unitholders to elect to reinvest cash distributions to purchase additional Trust Units from the Trust.

In March 1998, the Trust completed two acquisitions of petroleum and natural gas reserves in the Grand Forks and Medicine Hat areas of Alberta. Pursuant to those acquisitions, PrimeWest acquired

approximately 9.7 million boe of Established Reserves at \$5.19 per boe, plus an amount for interests in certain facilities, for an aggregate purchase price of approximately \$60.2 million. The acquired properties had production of approximately 4,050 boe/d to PrimeWest at the time of acquisition. Substantially all of the purchase price was financed by an equity offering of 8,000,000 Trust Units at \$7.80 per unit, for net proceeds of \$59,280,000.

On May 21, 1998, the Trust held a Special and Annual General Meeting of Unitholders at which the Unitholders authorized the reorganization of the Trust from a closed-end investment trust to an open-end investment trust. This change was made in order to add flexibility to the investments that the Trust is allowed to make. As a closed-end trust, the Trust was restricted to owning certain types of assets, principally royalty interests. As an open-end trust, the Trust is able to invest in shares of other corporations and in other types of income producing assets.

During 1998, PrimeWest entered into agreements to dispose of 2.9 mmboc of Established Reserves for total proceeds of \$19.8 million. These non-core assets consisted of 12 properties, 11 of which were non-operated.

On March 31, 1999, PrimeWest announced that it had adopted a Unitholder Rights Plan (the "Rights Plan"). The Rights Plan was approved by PrimeWest Unitholders at the Annual General and Special Meeting of the PrimeWest Unitholders held on May 18, 1999.

Under the terms of the Rights Plan, a prospective bidder would be encouraged to negotiate the terms of a bid with the board of directors of PrimeWest Energy Inc. (the "PrimeWest Board"), or to make a "permitted bid", not requiring the approval of the PrimeWest Board but having terms and conditions designed to provide the PrimeWest Board with sufficient time to properly evaluate a take-over bid and its effects, and to seek alternative bidders to explore other ways of maximizing PrimeWest Unitholder value in the event of an unsolicited take-over bid.

If a person acquires more than 20 percent of the PrimeWest units other than by way of a permitted bid, other PrimeWest Unitholders may, at the discretion of the PrimeWest Board, acquire a number of PrimeWest Units at 50 percent of the then prevailing market price, so as to cause significant dilution to the acquiring person.

The Rights Plan provides that a permitted bid is a take-over bid meeting the following requirements:

- (a) The bid must be made to all PrimeWest Unitholders;
- (b) The bid must be open for a minimum of 45 days following the date of the bid, and no PrimeWest units may be taken up prior to such time;
- (c) Take-up and payment of PrimeWest units may not occur unless the bid is accepted by PrimeWest Unitholders holding more than 50 percent of the outstanding PrimeWest units, excluding PrimeWest units held by the bidder and its associates;
- (d) PrimeWest units may be deposited to or withdrawn from the bid at any time prior to the take-up date; and
- (e) If the bid is accepted by PrimeWest Unitholders holding the requisite percentage of PrimeWest units, the bidder must extend the bid for an additional ten business days to permit other PrimeWest Unitholders to tender into the bid, should they so wish.

The Rights Plan expires on the date of PrimeWest's annual meeting in 2002.

On October 5, 1999, the Trust closed the issue of 2.75 million Trust Units at a price of \$7.20 per Trust Unit. The issue was done on a bought-deal basis for gross proceeds of \$19.8 million.

On November 3, 1999, PrimeWest, through its wholly-owned subsidiary PrimeWest Resources Ltd., completed the acquisition of high quality gas reserves in southeast Alberta. PrimeWest paid \$13.5 million for 16.3 bcf of established reserves which produce 3.04 million cubic feet of natural gas per day.

On November 26, 1999, the Trust received approval from The Toronto Stock Exchange to make a normal course issuer bid. The bid commenced November 30, 1999 and will terminate on November 29, 2000 or such earlier time as the bid is complete. From November 30, 1999 to the date of this Annual Information Form, the Trust purchased 121,200 Units at an average cost of \$6.23 per Trust Unit.

ITEM 3: NARRATIVE DESCRIPTION OF BUSINESS

The Business of the Trust

General

The undertaking of the Trust is to directly and indirectly acquire and hold petroleum and natural gas properties and to distribute the Distributable Income generated therefrom to Unitholders. It is therefore the mandate of PrimeWest and the Manager to continue to source and acquire petroleum and natural gas properties both for and on behalf of PrimeWest and the Trust, and to enhance the production from both acquired and existing properties in order to increase the amount of Distributable Income distributed to Unitholders.

Operatorship

The Manager, on behalf of PrimeWest, manages the operation of those properties in respect of which PrimeWest is the operator.

PrimeWest believes that although operatorship of the properties generally involves higher General and Administrative Costs than would be required for non-operated properties, those higher costs will generally result in more opportunities to enhance value to Unitholders through production enhancement, control of facilities and increased access to acquisition opportunities in core areas.

Acquisitions

Unless PrimeWest and the Trust are able to acquire additional petroleum and natural gas reserves or increase reserves through development activities, production from the currently held properties will eventually decline. The Manager, on behalf of PrimeWest and the Trust, continually reviews opportunities for the acquisition of producing oil and natural gas properties. When considering the acquisition of any petroleum and natural gas producing property, the Manager focuses on long-life properties, with low reservoir risk, that may be operated by either PrimeWest or other acceptable operators and that have the potential to increase Distributable Income and enhance the Trust's value through exploitation of those properties. See "Management Policies and Acquisition Strategy".

Marketing Arrangements

Effective September 1, 1996, PrimeWest and Amoco entered into an agreement whereby Amoco agreed to market the crude oil and natural gas liquids production from the properties initially purchased from Amoco, on behalf of PrimeWest for a period of five years. This accounts for approximately 50 percent of crude oil sales. During this period, PrimeWest has the right to solicit proposals from other parties to market all or any part of that crude oil and natural gas liquids production. Amoco is entitled to match the price and terms of any of these proposals. PrimeWest may decontract the quantities of crude oil and natural gas liquids that are the subject of any proposal that Amoco does not match.

Approximately 52 percent of the natural gas produced from the properties is sold through natural gas sales contracts with aggregators, including TransCanada Gas Services Limited ("TCGS") and CanWest Gas Supply Inc. ("CanWest"). The balance of the natural gas produced (48 percent) is sold into the short and longer-term Alberta markets.

The TCGS and CanWest contracts are multi-year, reserve-based netback contracts. The quantities of natural gas deliverable under those contracts are determined by the actual production performance of the properties dedicated to those contracts. The natural gas delivered by PrimeWest under these contracts is sold by TCGS and CanWest, together with the natural gas delivered by other producers in the TCGS and CanWest supply pools, to various markets throughout North America. The price received by PrimeWest for the natural gas sold under these aggregator contracts is determined by the prices obtained by TCGS and CanWest and approved by producers in those supply pools, less the costs associated with those sales.

The following is a summary of commodity hedges in place as of the date of this Annual Information Form:

Summary of Commodity Hedges

Crude Oil

Transaction Type	Contract Type	Contract Term	Volume (bbls/day)	Fixed Price (\$US/bbl)	Floor (\$US/bbl)	Cap (\$US/bbl)
Physical	Swap	Q1 2000	500	22.57	N/A	N/A
Physical	Swap	Q1 2000	1,000	20.95	N/A	N/A
Physical	3 - Way	Q1 2000	500	N/A	20 x 22 ⁽¹⁾	27.60
Physical	Swap	Q2 2000	500	21.35	N/A	N/A
Physical	Swap	Q2 2000	500	22.40	N/A	N/A
Physical	Costless Collar	Q3 2000	1,000	N/A	20.00	25.00
Physical	3 - Way	Apr - Dec 2000	750	N/A	20 x 24 ⁽²⁾	28.60
Physical	Swap	Apr - Dec 2000	250	26.10	N/A	N/A

¹ PrimeWest has floor price protection of \$22 at prices below \$22 and Market "Plus" price protection at prices below \$20. The "Plus" protection is \$2 (i.e. difference of the two numbers).

² PrimeWest has floor price protection of \$24 at prices below \$24 and Market "Plus" price protection at prices below \$20. The "Plus" protection is \$4

(i.e. difference of the two numbers).

Natural Gas

Transaction Type	Contract Type	Contract Term	Volume (mmcf/d)	Fixed Price (\$/mcf)	Floor (\$/mcf)	Cap (\$/mcf)
Physical	Floor	Nov – Mar 2000	5.0	N/A	3.45	N/A
Physical	Ceiling	Apr – Oct 2000	5.0	N/A	N/A	3.50
Physical	Swap	Apr – Oct 2000	3.0	2.98	N/A	N/A
Physical	Swap	Apr – Oct 2000	3.0	3.20	N/A	N/A
Physical	Costless collar	Nov – Oct 2001	5.0	N/A	3.00	3.70
Financial	Costless collar	Apr – Oct 2000	4.0	N/A	2.45	2.80

Reserve Continuity

Gilbert Laustsen Jung Associates Ltd., independent petroleum consultants, (“Gilbert”), has prepared a reserves report (“Gilbert Report”) evaluating the crude oil, natural gas, natural gas liquids and sulphur reserves attributable to PrimeWest’s properties as at January 1, 2000. The following table sets forth the reconciliation of the Established Reserves of PrimeWest for the year ended December 31, 1999.

<u>Reconciliation of Reserves</u>	Oil & Natural Gas Liquids (mmbbls)	Natural Gas (bcf)	Total⁽¹⁾ (mmboe)
As at January 1, 1999.....	28.30	243.50	52.50
Capital Development Program and Revisions	(0.72)	(18.20)	(2.54)
Acquisitions, net of dispositions	1.26	16.25	2.88
Production	(2.60)	(17.10)	(4.31)
As at January 1, 2000.....	<u>26.20</u>	<u>224.50</u>	<u>48.50</u>
Net Increase (Decrease) in Reserves.....	(2.10)	(19.00)	(4.00)
Percent Increase (Decrease)	<u>(7%)</u>	<u>(8%)</u>	<u>(8%)</u>

⁽¹⁾ may not add due to rounding

Drilling Activity

During the Trust's last two financial years, PrimeWest drilled or participated in the drilling of the following wells:

	Year Ended		Year Ended	
	December 31, 1999		December 31, 1998	
	Gross	Net	Gross	Net
Natural Gas ...	3	2.26	3	2.0
Crude Oil	14	3.80	37	10.4
Dry	4	3.95	3	1.7
Total	<u>21</u>	<u>10.01</u>	<u>43</u>	<u>14.1</u>

Capital Expenditures

The following table sets forth PrimeWest's capital expenditures for the last two financial years:

	Year Ended	Year Ended
	December 31, 1999	December 31, 1998
	(000's)	(000's)
Drilling, completion & facilities	\$ 13,750	\$ 16,787
Property acquisitions, net of dispositions	18,738	47,776
Corporate	<u>422</u>	<u>629</u>
	<u>\$ 32,910</u>	<u>\$ 65,192</u>

Recent Developments

On January 5, 2000, PrimeWest closed the acquisition of Amoco's 34 percent interest in the East Crossfield Sour Gas Processing Facility and assumed operatorship of the facility.

On March 14, 2000, Resources announced that it had signed a pre-offer agreement whereby PrimeWest will offer to purchase all of the issued and outstanding common shares of Venator Petroleum Company Ltd. through an exchange of 0.657 PrimeWest Trust Units for each Venator common share. The transaction has a total enterprise value of \$32 million consisting of \$30 million in equity and \$2 million in debt. Venator produces 1,300 boe per day, and PrimeWest estimates that it had 3.57 million boe of established reserves at January 1, 2000.

Attributes of PrimeWest's Properties

PrimeWest's properties include interests in both unitized and non-unitized oil and natural gas production from several major oil and natural gas fields. The following characteristics, as at December 31, 1999, make the properties particularly suitable for a conventional crude oil and natural gas royalty trust structure:

- (a) **Long Life Reserves:** The properties contain long life, low decline rate reserves that have an Established Reserve Life Index of 10.9 years, and a Proved plus Probable Reserve Life Index of 12.8 years;
- (b) **Operated Properties:** Approximately 85 percent of the total production from the properties is operated by PrimeWest. In respect of these operated properties, PrimeWest is able to exercise management and operating influence to maximize value for the benefit of the Trust;
- (c) **Balanced Portfolio:** Production from the properties is approximately 61 percent crude oil and natural gas liquids and 39 percent natural gas, on a barrel-of-oil-equivalent basis. Established Reserves for the properties is approximately 54 percent crude oil and natural gas liquids and 46 percent natural gas on a barrel-of-oil-equivalent basis. Crude oil reserves are predominantly light-gravity oil, averaging 32 degree API;
- (d) **Concentrated Portfolio:** While the properties are diversified from a geological and geographic perspective, PrimeWest generally has the largest working interest in these properties; and
- (e) **Upside Potential:** Additional opportunities to enhance the value of the properties have been identified by the Manager. These opportunities may not have been included in the valuations provided in the Gilbert Report.

Oil and Natural Gas Reserves

Gilbert has prepared the Gilbert Report evaluating the properties as at January 1, 2000. **The Gilbert Report evaluates the crude oil, natural gas, natural gas liquids and sulphur reserves attributable to the properties prior to provision for income taxes, interest costs, general and administrative expenses and management fees, but after providing for estimated royalties, operating costs, other income, future capital expenditures and facility site restoration, well abandonment and well-site restoration costs. Probable additional reserves and the present worth of those reserves as set forth in the tables below have been reduced by 50 percent to reflect the degree of risk associated with recovery of those reserves. It should not be assumed that the discounted future net cash flows estimated by Gilbert represent the fair market value of these reserves.** Other assumptions and qualifications relating to costs, prices for future production and other matters are summarized in the notes following these tables.

Petroleum and Natural Gas Reserves and Pre-Tax Net Cash Flows Escalating Cost and Price Case

	Company Interest Reserves						Estimated Present Worth of Future Pre-Tax Net Cash Flows (\$000's)*			
	Crude Oil and Natural Gas Liquids (mbbls)		Natural Gas (bcf)		Sulphur (mlt)		Undiscounted	Discounted at		
	Gross	Net	Gross	Net	Gross	Net		10%	15%	20%
Proved										
Producing	18,609	15,820	160	126	611	508	431,377	252,152	211,969	184,323
Non-Producing..	2,205	1,781	21	17	11	9	53,326	25,093	18,441	13,936
Total Proved	20,814	17,601	181	142	622	517	484,703	277,255	230,410	198,259
Risked Probable.....	5,408	4,430	43	33	122	102	139,347	50,346	34,981	25,572

Established	<u>26,222</u>	<u>22,031</u>	<u>224</u>	<u>175</u>	<u>744</u>	<u>619</u>	<u>624,050</u>	<u>327,601</u>	<u>265,391</u>	<u>223,831</u>
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*Does not include the value of the unproved lands

**Petroleum and Natural Gas Reserves and Pre-Tax Net Cash Flows
Constant Cost and Price Case**

	Company Interest Reserves						Estimated Present Worth of Future Pre-Tax Net Cash Flows (\$000's)*			
	Crude Oil and Natural Gas Liquids (mbbls)		Natural Gas (bcf)		Sulphur (mlt)		Undiscounted	Discounted at		
	Gross	Net	Gross	Net	Gross	Net		10%	15%	20%
Proved										
Producing	18,868	16,039	161	127	611	508	453,347	269,554	226,978	197,319
Non-Producing..	2,167	1,744	21	16	11	9	55,912	27,279	20,346	15,596
Total Proved	21,035	17,783	182	143	622	517	509,259	296,832	247,323	212,914
Risked Probable.....	5,467	4,479	44	33	123	102	135,520	52,003	36,795	27,297
Established	<u>26,502</u>	<u>22,262</u>	<u>226</u>	<u>176</u>	<u>745</u>	<u>619</u>	<u>644,779</u>	<u>348,835</u>	<u>284,118</u>	<u>240,211</u>

*Does not include the value of the unproved lands

Notes:

- (1) Columns may not add due to rounding.
- (2) The following definitions have been used in the Gilbert Report:
 - (a) "Proved Reserves" means those reserves estimated as recoverable with a high degree of certainty under current technology and existing economic conditions, in the case of constant price and cost analyses, and anticipated economic conditions in the case of escalated cost and price analyses, from that portion of a reservoir which can be reasonably evaluated as economically productive on the basis of analysis of drilling, geological, geophysical and engineering data, including the reserves to be obtained by enhanced recovery processes demonstrated to be economic and technically successful in the subject reservoir.
 - (b) "Probable Reserves" means those reserves which analysis of drilling, geological, geophysical and engineering data does not demonstrate to be proved, but where such analysis suggests the likelihood of their existence and future recovery under current technology and existing or anticipated economic conditions. Probable additional reserves to be obtained by the application of enhanced recovery processes will be the increased recovery over and above that estimated in the proved category which can be realistically estimated for the pool on the basis of enhanced recovery processes which can be reasonably expected to be instituted in the future.
 - (c) "Established Reserves" means those reserves estimated as Proved Reserves plus a portion of the Probable additional reserves, reduced to reflect the risks associated with recovery of those reserves. In the Gilbert Report, Established Reserves have been determined as the sum of 50 percent of Probable Reserves and 100 percent of Proved Reserves.

- (d) "Producing Reserves" means those reserves that are actually on production and could be recovered from existing wells and facilities or, if facilities have not been installed, that would involve a small investment relative to cash flow to install those facilities. In multi-well pools involving a competitive situation, reserves may be subdivided into producing and non-producing reserves in order to reflect allocation of reserves to specific wells and their respective development status.
 - (e) "Non-Producing Reserves" means those reserves that are not classified as producing.
 - (f) "Gross Reserves" means the total remaining recoverable reserves associated with the acreage of interest.
 - (g) "Company Interest Gross Reserves" means the remaining reserves applicable to the properties, before deduction of any royalties.
 - (h) "Company Interest Net Reserves" means the gross remaining reserves applicable to the properties, less all royalties (but not the Royalty) and interests owned by others.
- (3) In the Gilbert Report, the present worth values and quantities of Probable Reserves reported in the Established Reserves category have been reduced by 50 percent to reflect the degree of risk associated with the recovery of those reserves.
 - (4) All natural gas reserve values are reserves remaining after deducting surface losses due to processing shrinkage and raw gas used as lease fuel.
 - (5) The \$US/\$Cdn exchange rate is assumed in the Gilbert Report to be \$0.6933 in 2000, \$0.71 in 2001 and \$0.72 in 2002, \$0.7233 in 2003, and \$0.7267 thereafter.
 - (6) The Gilbert Report estimates total capital expenditures (net to PrimeWest) to achieve the estimated future pre-tax net cash flows from the Established Reserves based on escalating cost and price assumptions to be \$52.8 million (\$37.4 million if discounted by 15 percent per annum) with \$14.3 million, \$16.9 million and \$7.3 million of those capital expenditures estimated for the calendar years 2000, 2001 and 2002 respectively. The corresponding capital expenditures to achieve the estimated future pre-tax net cash flows from the Established Reserves based on constant cost and price assumptions are \$50.5 million (\$36.5 million if discounted by 15 percent per annum) with \$14.3 million, \$16.6 million and \$7.0 million of these capital expenditures estimated for the calendar years 2000, 2001 and 2002 respectively.
 - (7) The Gilbert Report estimates total capital expenditures (net to PrimeWest) to achieve the estimated future pre-tax net cash flows from the Proved Reserves based on escalating cost and price assumptions to be \$33.0 million (\$22.9 million if discounted by 15 percent per annum) with \$11.8 million, \$6.8 million and \$3.7 million of those capital expenditures estimated for the calendar years 2000, 2001 and 2002, respectively. The corresponding capital expenditures to achieve the estimated future pre-tax net cash flows from the Proved Reserves based on constant cost and price assumptions are \$31.5 million (\$22.4 million if discounted by 15 percent per annum) with \$11.8 million, \$6.7 million and \$3.6 million of these capital expenditures estimated for the calendar years 2000, 2001 and 2002, respectively.
 - (8) The extent and character of PrimeWest's interests evaluated in the Gilbert Report and all factual data supplied to Gilbert were accepted by Gilbert as represented. The crude oil and natural gas reserve calculations and any projections on which the Gilbert Report is based were determined in accordance with generally accepted petroleum engineering evaluation practices.
 - (9) The constant cost and price evaluation was based on wellhead product prices as set forth below:

 (Cdn.\$)

Crude Oil.....	\$28.72 per bbl
Condensate.....	\$28.74 per bbl
Propane.....	\$17.40 per bbl
Butane.....	\$18.88 per bbl
Ethane.....	\$8.37 per bbl
Natural Gas.....	\$2.80 per mcf
Sulphur.....	\$11.42 per lt

Operating and capital costs were not escalated in the constant cost and price evaluation.

- (10) In respect of the escalated cost and price valuation for the Gilbert Report, average yearly general product prices, which are referred to in these reports as the industry consensus as at January 1, 2000 for natural gas, crude oil, natural gas liquids and sulphur, are outlined in the following table. The figures in the following table were calculated as of that date as the arithmetic average of the then current price forecasts of Gilbert, Sproule Associates Limited, and McDaniel & Associates Consultants Ltd.

	Light Crude Oil		Natural Gas Liquids of Edmonton			Natural Gas			
	WTI Cushing Oklahoma* \$/bbl	Edmonton Par price 40° API \$/bbl	Propane \$/bbl	Butane \$/bbl	Pentanes Plus \$/bbl	Henry Hub \$/MMBTU	Alberta Gov't Market Price \$/MMBTU	BC Direct \$/MMBTU	Sulphur \$/lt
2000.....	20.67	28.72	17.40	18.88	28.74	2.47	2.80	2.78	11.43
2001.....	20.10	27.24	16.02	16.72	27.29	2.50	2.68	2.68	13.73
2002.....	20.37	27.18	15.86	16.63	27.24	2.53	2.62	2.60	18.48
2003.....	20.64	27.39	15.86	16.67	27.41	2.57	2.63	2.61	23.60
2004.....	21.04	27.86	16.17	17.02	27.89	2.61	2.64	2.61	26.24
2005.....	21.37	28.37	16.48	17.40	28.40	2.65	2.66	2.62	27.45
2006.....	21.69	28.76	16.78	17.67	28.79	2.70	2.69	2.66	28.69
2007.....	22.10	29.24	17.12	18.02	29.28	2.73	2.74	2.70	29.97
2008.....	22.46	29.79	17.54	18.41	29.83	2.78	2.80	2.77	31.28
2009.....	22.82	30.34	17.92	18.83	30.38	2.83	2.85	2.81	32.66
2010.....	23.27	30.81	18.22	19.14	30.86	2.88	2.90	2.86	33.90
2011.....	23.64	31.33	18.48	19.44	31.35	2.93	2.94	2.91	35.05
2012.....	24.00	31.89	18.82	19.75	31.91	2.98	3.01	2.98	36.24
2013.....	24.37	32.44	19.12	20.09	32.47	3.04	3.06	3.02	37.49
2014.....	24.75	32.97	19.42	20.37	33.00	3.09	3.11	3.07	38.78
2015.....	25.12	33.53	19.73	20.71	33.56	3.14	3.16	3.12	40.14

*40 degrees API, 0.4 percent sulphur

- (11) Operating and capital costs have been escalated at 1.67 percent annually for 17 years and 1 percent thereafter.

**Estimated Pre-Tax Net Cash Flows
Established Reserves of the Properties
Escalating Cost and Price Case
(\$millions except for production)**

	Annual Production n	Company Interest Revenue⁽¹⁾	Royalty Burdens⁽²⁾	Net Revenue After Royalty Burdens	Alberta Royalty Tax Credit	Operating Expenses⁽³⁾	Net Production Revenue⁽⁴⁾	Abandonment Costs	Net Capital Investment	Net Cash Flow Before Income Taxes⁽⁵⁾⁽⁶⁾
	(mboe)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
2000.....	4,445	116.9	21.5	95.4	0.7	25.1	71.0	1.1	14.3	55.6
2001.....	4,366	108.8	19.2	89.5	0.8	24.9	65.4	1.4	16.9	47.0
2002.....	4,179	103.1	17.9	85.2	0.8	25.0	61.0	1.5	7.3	52.2
2003.....	3,790	94.4	16.1	78.4	0.8	24.9	54.3	1.3	2.2	50.8
2004.....	3,350	84.5	14.0	70.5	0.7	22.9	48.3	0.8	2.7	44.9
2005.....	3,004	77.0	12.7	64.2	0.7	21.7	43.2	0.6	1.6	41.1
2006.....	2,693	70.0	11.3	58.7	0.6	22.2	37.1	0.4	0.3	36.4
2007.....	2,388	63.3	9.9	53.4	0.6	21.3	32.7	0.5	1.0	31.3
2008.....	2,127	57.7	8.9	48.8	0.5	20.5	28.8	0.8	0.5	27.4
2009.....	1,907	52.8	7.9	44.9	0.4	21.4	23.9	0.3	0.9	22.8
2010.....	1,736	48.9	7.3	41.6	0.4	17.2	24.8	0.6	1.8	22.3
2011.....	1,570	45.0	6.5	38.5	0.3	16.7	22.1	0.8	0.5	20.8
Remainder	12,960	421.6	57.9	363.7	2.3	173.4	192.6	18.2	2.9	171.5
TOTAL.....	48,515	1344.0	211.1	1132.9	9.5	437.2	705.2	28.3	52.8	624.1

Total net cash flow before income taxes discounted at:

10 percent: \$327.6 million
15 percent: \$265.4 million
20 percent: \$223.8 million

Notes:

- (1) Includes working-interest revenue and royalty-interest revenue.
- (2) Includes royalties net of processing allowances.
- (3) Includes other expenses, net-profits interest payments, capital and mineral taxes less third party processing and other income.
- (4) Company-interest revenue less Company interest royalty burdens and operating expenses.
- (5) Undiscounted.
- (6) Net cash flow before income taxes is stated prior to interest, general and administrative expenses and management fees.
- (7) Columns may not add due to rounding.

**Estimated Pre-Tax Net Cash Flows
Established Reserves of the Properties
Constant Cost and Price Case
(\$millions except for production)**

	Annual Production	Company Interest Revenue (¹)	Royalty Burdens (²)	Net Revenue after Royalty Burdens	Alberta Royalty Tax Credit	Operating Expenses (³)	Net Production Revenue(⁴)	Abandonment Costs	Net Capital Investment	Net Cash Flow Before Income Taxes(⁵)(⁶)
	(mboe)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
2000	4,446	116.9	21.5	95.4	0.7	25.0	71.1	1.0	14.3	55.8
2001	4,370	115.1	20.8	94.3	0.7	24.6	70.4	1.4	16.6	52.4
2002	4,185	110.3	19.7	90.6	0.7	24.2	67.1	1.3	7.0	58.8
2003	3,799	100.3	17.6	82.7	0.7	23.8	59.6	1.2	2.1	56.3
2004	3,362	88.8	15.2	73.6	0.6	21.6	52.6	0.8	2.5	49.3
2005	3,014	79.7	13.6	66.1	0.6	20.0	46.7	0.5	1.4	44.8
2006	2,706	71.6	11.9	59.6	0.6	20.2	40.0	0.5	0.3	39.2
2007	2,396	63.4	10.3	53.1	0.5	18.9	34.7	0.4	0.9	33.4
2008	2,140	56.6	8.9	47.7	0.5	18.1	30.1	0.4	0.4	29.3
2009	1,924	50.9	7.8	43.1	0.5	18.5	25.1	0.6	0.8	23.7
2010	1,724	46.1	7.0	39.1	0.4	14.6	24.9	0.4	1.5	23.0
2011	1,577	41.8	6.2	35.6	0.4	13.8	22.2	0.2	0.4	21.6
Remainder.....	13,223	350.6	48.8	301.8	2.6	131.2	173.2	13.5	2.3	157.4
TOTAL	48,884	1291.9	209.3	1082.6	9.5	374.5	717.7	22.2	50.5	645.0

Total net cash flow before income taxes discounted at:

10 percent: \$348.8 million
15 percent: \$284.1 million
20 percent: \$240.2 million

Notes:

- (1) Includes working-interest revenue and royalty-interest revenue.
- (2) Includes royalties net of processing allowances.
- (3) Includes other expenses, net-profits interest payments, capital and mineral taxes, less third party processing and other income.
- (4) Company-interest revenue less Company interest royalty burdens and operating expenses.
- (5) Undiscounted.
- (6) Net cash flow before income taxes is stated prior to interest, general and administrative expenses and management fees.
- (7) Columns may not add due to rounding.

Principal Properties

The following is a description of the significant properties owned by PrimeWest as of December 31, 1999. Remaining Established Reserves, ultimate recovery estimates and working interests contained in the following property descriptions are derived from the Gilbert Report. The term "net" used in the following property descriptions refers to PrimeWest's working interest in the properties.

Sundre Area

The Sundre Area is comprised of properties located in Westward Ho, Garrington, Caroline and Ricinus.

Westward Ho

The Westward Ho properties are located approximately 50 miles northwest of Calgary, Alberta. PrimeWest has a working interest in 33 (20.5 net) Non-Unit wells in Westward Ho, and a 98.7291 percent working interest in the Westward Ho Unit No. 1. The Gilbert Report assigns remaining Established Reserves of 1,127 mbbbl of oil, 14,987 mmcf of natural gas and 841 mbbbl of natural gas liquids (for a total of 2,856 mboe), before deduction of royalties, to the Westward Ho Area properties. The average net production from the properties for the year ended December 31, 1999 was approximately 439 bbls/d of oil and natural gas liquids, and 3,178 mcf/d of natural gas (for a total of 757 boe/d), before royalties.

Garrington

The Garrington properties are located approximately 25 miles southwest of Red Deer, Alberta. PrimeWest has a working interest in 19 producing wells (13.3 net) in the Garrington non-unit area, a 41.3 percent interest in the PrimeWest operated Garrington Cardium Unit #1, and a 72.6 percent interest in the PrimeWest operated Garrington Cardium Unit #2. Oil and natural gas production is obtained from the Elkton, Rock Creek, Mannville, Viking, Second White Specks and Cardium Formations. Production is obtained from depths of 6,850 to 9,200 feet and, in general, consists of gassy, sweet 39-degree API light-gravity crude oil. The Gilbert Report assigns net remaining Established Reserves of 1,509 mbbbl of oil, 9,134 mmcf of natural gas and 471 mbbbl of natural gas liquids (for a total of 2,893 mboe), before deduction of royalties, to the Garrington Area properties. The average net production from the Garrington Area properties for the year ended December 31, 1999 was approximately 631 bbls/d of crude oil and natural gas liquids and 4,218 mcf/d of natural gas (for a total of 1,053 boe/d), before royalties.

Caroline

The Caroline properties are located approximately 60 miles northwest of Calgary, Alberta. PrimeWest has a working interest in four separate contiguous properties in the Caroline Area - North Caroline Gas, South Leg, East Caroline, SW Caroline/Northridge and West Caroline. The Gilbert Report assigns remaining Established Reserves of 211 mbbbl of oil, 34,102 mmcf of natural gas and 1,779 mbbbl of natural gas liquids (for a total of 5,400 mboe), before deduction of royalties, to the four Caroline Area properties. The average net production from the Caroline Area properties for the year ended December 31, 1999 was approximately 264 bbls/d of oil and natural gas liquids and 3,362 mcf/d of natural gas (for a total of 600 boe/d), before royalties.

Ricinus

The Ricinus Cardium Unit #2 is located approximately 85 miles northwest of Calgary. PrimeWest owns a 53.5 percent operated working interest in the Unit and a 1.8 percent interest in the Amoco operated Ricinus gas plant. The Gilbert Report assigns net Remaining Established Reserves of 182 mbbbls of oil, 6,581 mmcf of natural gas and 311 mbbbls of natural gas liquids (for a total of 1,151 mboes), before deduction of royalties. Average net production for the Ricinus property for the year ended December 31, 1999 was 99 bbls/d of oil; 2,755 mcf of natural gas and 163 bbls/d of natural gas liquids (for a total of 538 boe/d), before deduction of royalties.

Laprise Creek Area

The Laprise Creek Area is located in northeast British Columbia, approximately 110 miles northwest of Fort St. John, British Columbia. Gas is produced from the Baldonnel Formation at a depth of approximately 4,200 feet. The Laprise Creek Baldonnel "A" Pool is one of British Columbia's largest natural gas pools, having original gas-in-place of 880 bcf. PrimeWest has a 75.6 percent working interest in the Laprise Creek Baldonnel Unit No. 1, which is operated by PrimeWest. The Unit consists of 19 (14.4 net) producing natural gas wells and one (0.76 net) suspended well. In addition, PrimeWest has a 100 percent interest in one producing non-unit gas well. The Gilbert Report assigns net remaining Established Reserves of 49,620 mmcf of natural gas and 1,179 mbbbl of natural gas liquids (for a total of 6,141 mboe), before deduction of royalties, to the Laprise Creek Area properties. The average net production from the Laprise Creek Area properties for the year ended December 31, 1999 was approximately 9,797 mcf/d of natural gas and 191 bbls/d of crude oil and natural gas liquids (for a total of 1,171 boe/d), before deduction of royalties.

Southeastern Alberta Area

Grand Forks

The Grand Forks property is located 45 miles west of Medicine Hat, Alberta. Crude oil reserves are found in the Sawtooth formation at an average depth of 3,100 feet. PrimeWest has an average 71 percent working interest in 180 (127 net) producing oil wells and a 41.5 percent working interest in 11 (4.57 net) non-producing natural gas wells.

The Gilbert Report assigns net remaining Established Reserves of 6,199 mbbbl of oil and natural gas liquids and 462 mmcf of natural gas (for a total of 6,246 net mboe), before deduction of royalties to the Grand Forks property. The average net production from the Grand Forks property was approximately 2,667 bbls/d of crude oil and natural gas liquids and 188 mcf/d of natural gas (for a total of 2,686 boe/d), before deduction of royalties.

Medicine Hat

The Medicine Hat property covers a 25 mile radius around Medicine Hat, Alberta. The Gilbert Report assigns net remaining Established Reserves of 380 mbbbl of oil and 16,884 mmcf of natural gas (for a total of 2,070 net mboe), before deduction of royalties to the Medicine Hat properties. The average net production from the Medicine Hat properties was approximately 167 bbls/d of crude oil and natural gas liquids and 3,738 mcf/d of natural gas (for a total of 540 boe/d), before deduction of royalties. PrimeWest operates and has a 96.7 percent average working interest in 17 oil wells (16 net) in the Medicine Hat Glauconitic C Pool. PrimeWest also has a 20.0 percent working interest in the Medicine Hat Consolidated Unit #2 which is located 25 miles northeast of Medicine Hat and operated by Gascan Resources. Gascan also operates the Bowmanton field in which PrimeWest has a 30 percent interest in 92 gas wells; the Vale field in which PrimeWest has a 40 percent interest in 13 gas wells; and the Sunlite field in which PrimeWest has a 40

percent interest in 33 gas wells. PrimeWest operates and has a 100 percent interest in the Etzikom gas field. Gas is produced from the Medicine Hat "A", "C", "D", Lower Colorado and Milk River zones.

Dinosaur/Patricia

The Dinosaur/Patricia area is located approximately 110 miles east of Calgary. PrimeWest owns a 51 percent operated interest in both the Patricia Gas Unit #1 and the Dinosaur Gas Unit #1. There are currently 69 gross (35.2 net) wells in the Patricia Unit and 25 gross (12.75 net) wells in the Dinosaur Unit. The Gilbert Report assigns net Remaining Established Reserves of 14,821 mmcf of gas, before deduction of royalties. The average net production from the Dinosaur/Patricia property was 486 mcf/d of gas (from November 1, 1999), before deduction of royalties.

Crossfield/Lone Pine Creek Area

The Crossfield/Lone Pine Creek Area is located approximately 20 miles north of Calgary, Alberta, and was discovered in 1960 by Amoco. Production of natural gas and natural gas liquids occurs from the Elkton, Wabamun (Crossfield), Leduc and Nisku Formations. Oil production occurs from the Cardium, Basal Quartz, Elkton and Nisku Formations. The Gilbert Report assigns net remaining Established Reserves of 382 mbbbl of oil, 54,278 mmcf of natural gas and 733 mbbbl of natural gas liquids (for a total of 6,543 mboe), before deduction of royalties, and 689 mlt of sulphur to the East Crossfield/Lone Pine Creek Area properties. The aggregate average net daily sales volumes from this area for the year ended December 31, 1999 was approximately 12,775 mcf/d of natural gas and 286 bbls/d of oil and natural gas liquids (for a total of 1,563 boe/d), in each case before royalties.

PrimeWest operates and has a net working interest in the following: 54.6 percent in the East Crossfield Unit - Crossfield Formation, 68.4 percent in the Lone Pine Creek Gas Unit No. 1, 75 percent in the Lone Pine Creek Gas Unit No. 3, 76.6 percent in the Lone Pine Creek Gas Unit No. 5, 65.9 percent in the Lone Pine Creek D-3 Gas Unit No. 1, 100 percent in the East Crossfield Elkton "F" Pool, five (4.3 net) non-unit gas wells and a 100 percent working interest in one non-unit oil well. In addition, PrimeWest has varying working interests averaging 25 percent in two non-operated oil wells, and a 100 percent working interest in two PrimeWest-operated, producing natural gas wells.

All operated natural gas production is processed at the East Crossfield Sour Gas Processing Facility. At January 1, 2000, PrimeWest had a 20 percent interest in the facility. Effective January 5, 2000, PrimeWest acquired Amoco's 34.6 percent interest and became operator of the facility. All PrimeWest's natural gas produced from this area is processed on a plant operating-cost basis. During 1999, plant utilization was approximately 64 percent. Other major facilities owned by PrimeWest in respect of this Property include the Lone Pine Creek Central Gathering and Compression Facility (42.8 percent interest), the Lone Pine Creek Waukashaw Compressor (65.9 percent interest), the Lone Pine Creek D-1 Unit Booster Compressor (68.4 percent interest) and the Lone Pine Creek to East Crossfield Amalgamation Pipeline (40.2 percent interest).

The Gilbert Report notes that economically recoverable reserves could be enhanced by lowering the property's operating cost structure. PrimeWest has made arrangements with a number of companies to bring third party natural gas to the East Crossfield plant, bringing the 1999 throughput to approximately 70 mmcf/d. Discussions are continuing with a number of parties to bring in further volumes.

Boundary Lake Area

The Boundary Lake Area is located approximately 25 miles east of Fort St. John, British Columbia on the British Columbia/Alberta border. The Boundary Lake Field was discovered in 1955. The productive horizon is the Boundary Lake member of the Triassic Charlie Lake Formation at a depth of approximately

4,200 feet, which produces a 35-degree API light-gravity crude oil and solution gas. PrimeWest operates and has a 100 percent working interest in both Boundary Lake Project No. 1, and Boundary Lake Project No. 2, (both projects are located in British Columbia), varying working interests averaging 4.2 percent in three producing oil wells operated by Imperial Oil Limited in the British Columbia portion of the field and a 25 percent working interest in a producing oil well operated by PrimeWest in the Alberta portion of the field. PrimeWest also has a 2.1 percent working interest in the Boundary Lake Unit No. 1. The Gilbert Report assigns remaining Established Reserves of 4,386 mbbbl of oil, 455 mmcf of natural gas and 40 mbbbl of natural gas liquids (for a total of 4,472 mboe), before deduction of royalties, to the Boundary Lake Area properties. The average net production from the Boundary Lake Area properties for the year ended December 31, 1999 was approximately 746 bbls/d of oil and natural gas liquids and 118 mcf/d of natural gas, in each case before royalties.

Kaybob South Area

The Kaybob South Area is located approximately 150 miles northwest of Edmonton, Alberta and consists of oil and solution gas production from the Kaybob South Triassic "A" Pool at a depth of approximately 7,000 feet. PrimeWest has a 42.5 percent working interest in the Kaybob South Triassic Unit No. 1 and a 20.1 percent working interest in the Kaybob South Triassic Unit No. 2, both of which are operated by PrimeWest. The Gilbert Report assigns net remaining Established Reserves of 1,810 mbbbl of oil, 1,541 mmcf of natural gas and 140 mbbbl of natural gas liquids (for a total of 2,104 mboe), before deduction of royalties, to the Kaybob South Area properties. The average net production from the Kaybob South Area properties for the year ended December 31, 1999 was 848 bbls/d of oil and natural gas liquids and 469 mcf/d (for a total of 895 boe/d), before deduction of royalties.

Other Properties

The following is a description of the balance of PrimeWest's properties. These properties represent approximately 13.5 percent of the total reserves of all of the properties and primarily consist of small working interests in unitized properties.

Jumping Pound West

PrimeWest has a 14.6 percent interest in the Jumping Pound West Unit No. 2 operated by Shell Canada Resources and located 30 miles west of Calgary. The unitized zone is the Rundle Formation. Production from the unit commenced in 1972 and is currently coming from 12 natural gas wells. Production is processed at the adjacent Jumping Pound Unit No. 1 plant facilities on a custom-processing-fee basis. The production is slightly sour and liquid rich, yielding 40 bbls of liquids per mmcf of natural gas. The Gilbert Report assigns net remaining Established Reserves of 12,206 mmcf of natural gas and 509 mbbbls of natural gas liquids (for a total of 1,602 net mboe), before deduction of royalties, to the Jumping Pound West property. Average net production for the year ended December 31, 1999 was 3,088 mcf/d of natural gas and 71 bbls/d of natural gas liquids (for a total of 380 boe/d), before deduction of royalties.

Eagle Lake Viking Voluntary Unit

PrimeWest has a 9.4 percent working interest in the Eagle Lake Viking Voluntary Unit operated by Viking Holdings Trust. The Unit was formed in 1966, and is located approximately 90 miles southwest of Saskatoon, Saskatchewan. The unitized zone consists of the Viking Formation, and 38 degree API light-gravity crude oil is recovered by waterflood, which was implemented in 1967. Net oil production for the unit for the year ended December 31, 1999 averaged 143 bbls/d of oil, before royalties. The Gilbert Report assigns net remaining Established Reserves of 810 mboe, before deduction of royalties, to the Eagle Lake Viking Voluntary Unit.

Midale Unit

PrimeWest has a 3.9 percent interest in the Apache-operated Midale Unit located in southeast Saskatchewan. The Unit was formed in 1962 when a waterflood project was implemented. Since that time, the operator has undertaken an infill drilling program, first vertical and then horizontal, commencing in 1989. Recent activity in the Unit consists of multiple-leg horizontal drilling projects. In addition, enhanced recovery from CO₂ miscible flood was started in 1992. The Gilbert Report assigns net remaining Established Reserves of 1,791 mbbbls of oil and 179 mmcf of natural gas for a total of 1,809 mboe to the Midale Unit property, before deduction of royalties. Average net production from the property for the year ended December 31, 1999 was 200 bbls/d of oil.

Willesden Green

The Willesden Green properties are located approximately 10 miles northeast of Rocky Mountain House, Alberta. PrimeWest has a 13.4 percent working interest and a 0.29 percent royalty interest in the Petro-Canada operated Willesden Green Cardium Unit No. 6, as well as varying minor royalty interests in units 1, 2, 4, 7 and 8. The Unit produces a 40-degree API light-gravity crude oil from the Willesden Green Cardium "A" Pool at a depth of approximately 6,230 feet. The Pool was discovered in 1959 and Unit No. 6 was formed in 1966 when a field wide waterflood scheme was implemented. Average net production for the Willesden Green area for the year ended December 31, 1999, was 207 bbls/d of oil and natural gas liquids and 292 mcf/d of natural gas, before royalties (for a total of 237 boe/d).

The Gilbert Report assigns net remaining Established Reserves of 1,193 mboe, before deduction of royalties, to the Willesden Green properties.

Bonnie Glen

PrimeWest has a 0.77 percent interest in the Bonnie Glen D-3A Gas Cap Unit and the Bonnie Glen Cycling Plant as well as a 55 percent interest in the 12-8-47-27W4 Proration Battery. The property is operated by Imperial Resources. The Gilbert Report assigns net remaining Established Reserves of 125 mbbbls of oil and natural gas liquids and 1,440 mmcf of gas (for a total of 240 mboe) to the Bonnie Glen property, before deduction of royalties. Average net production from the property for the year ended December 31, 1999 (acquired effective June 1, 1999) was 95 bbls/d of oil and natural gas liquids and 1,018 mcf/d of gas (for a total of 197 boe/d).

Unproved Lands

PrimeWest has an interest in approximately 233,459 (161,124 net) acres of unproved lands at December 31, 1999. PrimeWest is currently reviewing available seismic and other data, and will develop an exploitation plan for these properties. Capital expenditures, farmouts and/or dispositions may result in future revenues from these undeveloped lands. The geographical area and value of the unproved lands is as follows:

Unproved Lands

Area	Acres		Net Value
	Gross	Net	(\$)
Sundre			
Caroline	75,957	61,241	3,612,250
Garrington	24,758	12,996	274,450
Westward Ho	9,470	8,688	195,500
Kobes Creek	7,160	2,864	253,100
Southeastern Alberta	47,248	23,897	388,684
Crossfield/Lone Pine Creek	54,046	41,560	4,500,117
Boundary Lake	5,886	5,129	94,300
Others	8,934	4,749	847,100
TOTAL	233,459	161,124	10,165,501

Industry Conditions

The oil and natural gas industry is subject to extensive controls and regulations imposed by various levels of government. It is not expected that any of these controls or regulations will affect the operations of PrimeWest or the Trust in a manner materially different than they would affect other oil and gas companies and trusts of similar size. All current legislation is a matter of public record, and the Manager is unable to predict what additional legislation or amendments may be enacted.

Pricing and Marketing – Oil

In Canada, producers of oil negotiate sales contracts directly with oil purchasers. Oil prices are primarily based on worldwide supply and demand. The specific price paid depends in part on oil quality, prices of competing fuels, distance to market, the value of refined products and the supply/demand balance. Oil exports may be made pursuant to export contracts with terms not exceeding one year in the case of light crude, and not exceeding two years in the case of heavy crude, provided that an order approving any such export has been obtained from the National Energy Board (“NEB”). Any oil export to be made pursuant to a contract of longer duration (to a maximum of 25 years) requires an exporter to obtain an export licence from the NEB and the issue of such a licence requires the approval of the Governor in Council.

Pricing and Marketing - Natural Gas

In Canada, the price of natural gas sold intraprovincially, interprovincially or to the United States is determined by negotiation between buyers and sellers. Natural gas exported from Canada is subject to regulation by the NEB and the Government of Canada. Exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts continue to meet certain criteria prescribed by the NEB and the government of Canada. Natural gas exports for a term of less than two years requires a general short term export license while terms greater than two years require a specific license for the particular gas sold (in quantities of not more than 30,000 cubic metres per day). Any natural gas export to be made pursuant to a contract of longer duration (to a maximum of 25 years) or a larger quantity requires an exporter to obtain an export licence from the NEB and the issue of such a licence requires the approval of the Governor in Council.

The governments of Alberta, British Columbia and Saskatchewan also regulate the volume of natural gas which may be removed from those provinces for consumption elsewhere based on such factors as reserve availability, transportation arrangements and market considerations.

The North American Free Trade Agreement

On January 1, 1994, the North American Free Trade Agreement ("NAFTA") among the governments of Canada, the U.S. and Mexico became effective. The NAFTA carries forward most of the material energy terms contained in the Canada-U.S. Free Trade Agreement. In the context of energy resources, Canada continues to remain free to determine whether exports to the U.S. or Mexico will be allowed provided that any export restrictions do not: (i) reduce the proportion of energy resource exported relative to domestic use (based upon the proportion prevailing in the most recent 36-month period), (ii) impose an export price higher than the domestic price; and (iii) disrupt normal channels of supply. All three countries are prohibited from imposing minimum export- or import-price requirements.

The NAFTA contemplates the reduction of Mexican restrictive trade practices in the energy sector and prohibits discriminatory border restrictions and export taxes. The agreement also contemplates clearer disciplines on regulators to ensure fair implementation of any regulatory changes, and to minimize disruption of contractual arrangements, which is important for Canadian natural gas exports.

Royalties and Incentives

In addition to federal regulation, each province has legislation and regulations which govern land tenure, royalties, production rates, environmental protection and other matters. In all Canadian jurisdictions, producers of oil and natural gas are required to pay annual rental payments in respect of Crown leases and royalties and freehold production taxes in respect of oil and natural gas produced from Crown and freehold lands, respectively. The royalty regime is a significant factor in the profitability of oil and natural gas production. Royalties payable on production from lands other than Crown lands are determined by negotiations between the mineral owner and the lessee. Crown royalties are determined by governmental regulation and are generally calculated as a percentage of the value of the gross production, and the rate of royalties payable generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date and the type or quality of the petroleum product produced.

From time to time the governments of Canada, Alberta, British Columbia and Saskatchewan have established incentive programs which have included royalty-rate reductions, royalty holidays and tax credits for the purpose of encouraging oil and natural gas exploration or enhanced planning projects. These programs reduce the amount of Crown royalties otherwise payable.

Environmental Regulation

The oil and natural gas industry is subject to environmental regulation pursuant to local, provincial and federal legislation. Environmental legislation provides for restrictions and prohibitions on releases or emissions of various substances produced in association with certain oil and natural gas industry operations, and can affect the location of wells and facilities and the extent to which exploration and development is permitted. In addition, legislation requires that well and facilities sites be abandoned and reclaimed to the satisfaction of provincial authorities. A breach of that legislation may result in the imposition of fines or issuance of clean-up orders.

PrimeWest is committed to meeting its responsibilities to protect the environment wherever it operates, and anticipates making increased expenditures of both a capital and expense nature as a result of the increasingly stringent laws relating to the protection of the environment. PrimeWest's internal procedures are designed to ensure that the environmental aspects of new developments are taken into

account prior to proceeding. The Manager believes that PrimeWest is in material compliance with applicable environmental laws and regulations properties.

Risk Factors

Volatility of Oil and Natural Gas Prices

PrimeWest's results of operations and financial condition, and therefore the amounts paid to the Trust pursuant to the Royalty, will be dependent on the prices received for PrimeWest's oil and natural gas production. Crude oil and natural gas prices have fluctuated widely during recent years and are determined by supply and demand factors, including weather and general economic conditions, as well as conditions in other oil producing regions, which are beyond the control of PrimeWest or the Trust. Any decline in crude oil or natural gas prices could have a material adverse effect on PrimeWest's operations, financial condition, proved reserves and the level of expenditures for the development of its oil and natural gas reserves. The Manager may manage the risk associated with changes in commodity prices and foreign exchange rates by causing PrimeWest to, from time to time, enter into crude oil or natural gas price hedges and forward foreign-exchange contracts.

Reserves Replacement (Sustainability)

The Trust has certain unique attributes which differentiate it from other oil and natural gas industry participants. Distributions of Distributable Income in respect of properties, absent commodity price increases or cost-effective acquisition and development activities, will decline over time in a manner consistent with declining production from typical oil, natural gas and natural gas liquids reserves. PrimeWest will not be reinvesting cash flow in the same manner as other oil and natural gas exploration and production company industry participants. PrimeWest's future oil and natural gas reserves and production, and therefore its cash flows, will be highly dependent on PrimeWest's success in exploiting its reserve base and acquiring additional reserves. Without reserve additions through acquisition and/or development activities, PrimeWest's reserves and production will decline over time as reserves are produced.

Trust Units will have no value when reserves from the properties or additional properties can no longer be economically marketed and, as a result, subscribers for Trust Units will have to obtain the return of capital invested out of cash flow derived from their investment in Trust Units during the period when reserves can be economically recovered.

To the extent that external sources of capital, including the issuance of additional Trust Units, become limited or unavailable, PrimeWest's ability to make the necessary capital investments to maintain or expand its oil and natural gas reserves will be impaired. To the extent that PrimeWest is required to use cash flow to finance capital expenditures or property acquisitions, the level of Distributable Income will be reduced.

There is strong competition relating to all aspects of the oil and natural gas industry. PrimeWest actively competes for reserve acquisitions and skilled industry personnel with a substantial number of other oil and natural gas companies, many of which have significantly greater financial resources than PrimeWest. There can be no assurance that PrimeWest will be successful in developing additional reserves or acquiring additional reserves on terms that meet the acquisition guidelines.

Changes in Legislation

There can be no assurance that income tax laws or government incentive programs relating to the oil and natural gas industry, such as the status of mutual fund trusts and the resource allowance, will not be changed in a manner which adversely affects Unitholders.

Investment Eligibility

If the Trust ceases to qualify as a mutual fund trust, the Trust Units will cease to be qualified investments for RRSPs, RRIFs and DPSPs and RESPs that acquired the Trust Units after October 27, 1998 ("Exempt Plans"). Where at the end of any month an Exempt Plan holds Trust Units that are not qualified investments, the Exempt Plan must, in respect of that month, pay a tax under Part XI.1 of the Tax Act equal to 1 percent of the fair market value of the Trust Units at the time those Trust Units were acquired by the Exempt Plan. In addition, where a trust governed by an RRSP holds Trust Units that are not qualified investments, the trust will become taxable on its income attributable to the Trust Units while they are not qualified investments.

Operational Matters

The operation of oil and natural gas wells involves a number of operating and natural hazards which may result in blowouts, environmental damage and other unexpected or dangerous conditions, resulting in damage to PrimeWest and possible liability to third parties. PrimeWest maintains liability insurance, where available, in amounts consistent with industry standards. Business interruption insurance may also be purchased for selected facilities, to the extent that kind of insurance is available. PrimeWest may become liable for damages arising from those events against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons. In particular, insurance against environmental risks is not generally available to PrimeWest or to other companies in the oil and natural gas industry. Costs incurred to repair that damage or pay those liabilities will reduce Royalty Income.

Continuing production from a property, and to some extent the marketing of production therefrom, are largely dependent upon the capability of the operator of the property. To the extent the operator fails to perform these functions properly, revenue may be reduced. Payments from production generally flow through the operator, and there is a risk of delay and additional expense in receiving those revenues if the operator becomes insolvent.

Although satisfactory title reviews of the properties will be conducted in accordance with industry standards, those title reviews do not guarantee or certify that a defect in the chain of title may not arise to defeat the claim of PrimeWest to a property. A reduction of Royalty Income could result in those circumstances.

Environmental Concerns

The oil and natural gas industry is subject to environmental regulation pursuant to municipal, provincial and federal legislation. A breach of that legislation may result in the imposition of fines or the issuance of clean up orders. That legislation may be changed to impose higher standards and potentially more costly obligations on PrimeWest. See "Industry Conditions - Environmental Regulation". Although PrimeWest has established a reclamation fund for the purpose of funding its currently estimated future environmental and reclamation obligations based on its current knowledge, there can be no assurance that PrimeWest will be able to satisfy its actual future environmental and reclamation obligations. Ongoing environmental obligations will be funded out of PrimeWest's cash flow and will therefore reduce Distributable Income payable to Unitholders. Should PrimeWest be unable to fully fund the cost of

remediating an environmental problem, PrimeWest might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy.

Debt Service

Amounts paid in respect of interest and principal, and other costs, expenses and disbursements (“Debt Service Charges”) relating to debt incurred in respect of the properties will reduce Royalty Income. Variations in interest rates and other credit charges and scheduled principal repayments could result in significant changes in the amount required to be applied to Debt Service Charges before payment of the Royalty and Distributable Income. Certain covenants of the agreements with the bank providing the Credit Facility may also limit distributions to the Trust. Although the Manager and PrimeWest believe the Credit Facility will be sufficient for PrimeWest's immediate requirements, there can be no assurance that the amount will be adequate for the future financial obligations of PrimeWest or that additional funds will be able to be obtained.

The bank providing the Credit Facility will be provided with security over substantially all of the assets of PrimeWest. If PrimeWest becomes unable to pay its Debt Service Charges in respect of the Credit Facility, or otherwise commits an event of default such as bankruptcy, that bank may foreclose on or sell the properties free from or together with, the Royalty.

Delay in Cash Distributions

In addition to the usual delays in payment by purchasers of Petroleum Substances produced from the properties to the operator of the properties, from the operator to PrimeWest (where PrimeWest is not the operator), from PrimeWest to the Trust and from the Trust to Unitholders, payments between any of those parties may also be affected or delayed by restrictions imposed by lenders, accounting delays, delays in the sale or delivery of products, delays in the connection of wells to a gathering system, blowouts or other accidents, adjustments for prior periods, recovery by the operator of expenses incurred in the operation of properties, or the establishment by the operator of reserves for those expenses.

Reliance on the Manager

Unitholders will be dependent on the management of the Manager in respect of the administration and management of all matters relating to the properties, the Royalty, the Trust and Trust Units. Investors who are not willing to rely on the management of the Manager should not invest in the Trust Units.

Potential Conflicts of Interest

There may be circumstances in which the interests of the Manager will conflict with those of Unitholders.

The Manager will use all reasonable efforts to resolve such conflicts of interest in a manner that will treat the Trust or PrimeWest, as the case may be, and the other interested party fairly, taking into account all of the circumstances of the Trust or PrimeWest, as the case may be, and such interested party, and to act honestly and in good faith in resolving those matters.

Circumstances may arise where members of the board of directors of PrimeWest are directors or officers of corporations which are in competition to the interests of PrimeWest and the Trust. No assurances can be given that opportunities identified by those board members will be provided to PrimeWest and the Trust.

Nature of Trust Units

The Trust Units do not represent a traditional investment in the oil and natural gas sector and should not be viewed by investors as shares in PrimeWest. The Trust Units represent a fractional interest in the Trust. As holders of Trust Units, Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring oppression or derivative actions. The Trust's sole assets will be permitted short-term investments, direct and indirect interests in petroleum and natural gas properties and related contractual rights. The market price of the Trust Units will be a function of anticipated Distributable Income, the value of the properties owned by PrimeWest and the Trust, and the Manager's ability to effect long-term growth in the value of the Trust. The market price of the Trust Units will be sensitive to a variety of market conditions including, but not limited to, interest rates and the ability of the Trust to acquire suitable oil and natural gas properties. Changes in market conditions may adversely affect the trading price of the Trust Units.

Unitholder Limited Liability

The Declaration of Trust provides that no Unitholder will be subject to any liability in connection with the Trust or its obligations and affairs and, in the event that a court determines Unitholders are subject to any of those liabilities, those liabilities will be enforceable only against, and will be satisfied only out of the Trust's assets. Pursuant to the Declaration of Trust, the Trust will indemnify and hold harmless each Unitholder from any costs, damages, liabilities, expenses, charges and losses suffered by a Unitholder resulting from or arising out of that Unitholder not having that limited liability.

The Declaration of Trust provides that all written instruments signed by or on behalf of the Trust must contain a provision to the effect that the obligations in those instruments will not be binding on Unitholders personally. The principal investment of the Trust is currently the Royalty Agreement, which contains that provision. Personal liability may also arise in respect of claims against the Trust that do not arise under contracts, including claims in tort, claims for taxes, and possibly certain other statutory liabilities. The possibility of any personal liability of this nature arising is considered unlikely.

The operations of the Trust will be conducted, on the advice of counsel, in such a way and in such jurisdictions as to avoid as far as possible any material risk of liability on the Unitholders for claims against the Trust.

ITEM 4: SELECTED CONSOLIDATED FINANCIAL INFORMATION

Reference is made to the consolidated comparable financial statements of the Trust contained in the Annual Report, which financial statements are hereby incorporated into this Annual Information Form by reference.

Selected Annual Information

(\$000's except per Unit)	For the Year Ended December 31			For the Period from August 2, 1996 to December 31, 1996
	1999	1998	1997	
Earnings Information				
Total Revenue, net of royalties	83,063	66,057	59,593	18,043
Expenses, including D, D & A	77,078	79,604	56,423	16,030
Net Income (Loss)	5,985	(13,547)	3,170	2,013
Net Income (Loss) per Trust Unit (\$)				
Basic	0.18	(0.43)	0.13	0.08
Fully Diluted	0.18	(0.43)	0.13	0.08
Distributable Income Information				
Cash Available for Distribution	37,728	26,030	33,746	11,067
Cash Available for Distribution to Trust Unitholders	37,351	25,769	33,409	10,956
Cash Available for Distribution per Trust Unit (\$)				
Basic	1.10	0.82	1.34	0.44
Fully Diluted	1.10	0.82	1.34	0.44
Balance Sheet Information				
Total Assets	320,210	316,140	285,765	254,480
Long Term Debt, including current portion	92,286	73,112	66,829	14,228
Average Trust Units Outstanding	33,965	31,426	24,931	24,900

Selected Quarterly Information

(\$000's except per Trust Unit)	For the Quarters Ended - 1999			
	March 31	June 30	September 30	December 31
Total Revenue, net of royalties	17,675	19,304	22,180	23,904
Expenses including D, D & A	19,732	18,473	18,994	19,879
Net Income (Loss)	(2,057)	831	3,186	4,025
Net Income (Loss) per Unit				
Basic	(0.06)	0.03	0.10	0.11
Fully diluted	(0.06)	0.03	0.10	0.11
For the Quarters Ended - 1998				
	March 31	June 30	September 30	December 31
Total Revenue, net of royalties	14,055	16,495	16,094	19,413
Expenses including D, D & A	16,983	21,202	20,308	21,111
Net Income (Loss)	(2,928)	(4,707)	(4,214)	(1,698)
Net Income (Loss) per Unit				
Basic	(0.11)	(0.14)	(0.13)	(0.05)
Fully diluted	(0.11)	(0.14)	(0.13)	(0.05)

ITEM 5: MANAGEMENT'S DISCUSSION AND ANALYSIS

Reference is made to the information under the heading "Management's Discussion and Analysis" in the Annual Report, which information is hereby incorporated into this Annual Information Form by reference.

ITEM 6: MARKET FOR SECURITIES

The outstanding Trust Units of PrimeWest Energy Trust are listed for trading on The Toronto Stock Exchange under the symbol PWI.UN.

ITEM 7: DIRECTORS AND OFFICERS

The Trust has no directors or officers. The following information pertains to the board of directors of PrimeWest and the officers of PrimeWest and the Manager.

Directors

The Trust has the right to nominate and cause the Manager to elect a majority of the board of directors of PrimeWest. Reference is made to the information under the heading "Election of Directors" in the Circular for the names of those persons who are directors of PrimeWest on the date of this Annual Information Form, their current occupation and principal occupations for the five years ended December 31, 1999, municipality of residence and ownership of Trust Units, which information is hereby incorporated in this Annual Information Form by reference.

PrimeWest does not have an executive committee, but is required to, and does have, an audit committee. The audit committee consists of those directors of PrimeWest who are nominees of the Trust. Barry E. Emes, Harold N. Kvisle and Harold P. Milavsky, who are Independent Directors, are members of the audit committee. The Independent Directors also act as the Corporate Governance and Compensation Committees of PrimeWest. The Trust Company of Bank of Montreal is currently the Trustee of the Trust.

Officers

Each person who is an officer of the Manager also holds the same office with PrimeWest. The name, municipality of residence, position held and principal occupation of each officer of PrimeWest and the Manager on the date hereof are set out below:

<u>Name and Municipality</u>	<u>Position with the Manager</u>	<u>Principal Occupation</u>
Kent J. MacIntyre Calgary, Alberta	Director, Vice-Chairman and Chief Executive Officer Since October 1996	Vice-Chairman and Chief Executive Officer of the Manager and PrimeWest
D. Hugh Gillard Calgary, Alberta	Director, President and Chief Operating Officer Since January 1999	President and Chief Operating Officer of the Manager and PrimeWest
Timothy Granger Calgary, Alberta	Vice-President, Production Since June 1999	Vice-President, Production of the Manager and PrimeWest
Susan M. Duncan Calgary, Alberta	Vice-President, Finance Since October 1996	Vice-President, Finance of the Manager and PrimeWest
Ronald Ambrozy Calgary, Alberta	Vice-President, Business Development Since September 1997	Vice-President, Business Development of the Manager and PrimeWest
Ann C. Laniel Calgary, Alberta	Land Manager Since October 1996	Land Manager of the Manager and PrimeWest
James T. Bruvall Calgary, Alberta	Secretary Since October 1996	Partner, Stikeman Elliott

None of the above officers have been employed in their current positions for more than five years. Prior to October, 1996 Mr. MacIntyre was Chief Executive Officer of Triad Energy Inc. (March, 1994 - October, 1996). Prior to January 1999, Mr. Gillard was President and Chief Executive Officer of CanWest Gas Supply Inc. (1994–December, 1998). For the five years prior to June, 1999, Mr. Granger held various managerial positions at Pogo Canada Ltd., Petro-Canada and prior to that at Amerada-Hess. Prior to October, 1996 Ms. Duncan was Treasurer of Triad Energy Inc. (June, 1995 - October, 1996) and prior to June, 1995 a Principal with Coopers & Lybrand, Chartered Accountants. Prior to September, 1997, Mr. Ambrozy held several positions of progressive responsibility at Gulf Canada Resources Limited over the previous 22 years. Prior to October, 1996 Ms. Laniel was Landman of Triad Energy Inc. (March, 1994 - October, 1996). Mr. Bruvall is currently a partner at Stikeman Elliott, barristers and solicitors (February, 1996 - present). Prior to that time Mr. Bruvall was an associate at Stikeman Elliott, barristers and solicitors.

Management of the Manager

Kent J. MacIntyre, Director, Vice-Chairman and Chief Executive Officer

Mr. MacIntyre has overall responsibility for leading and overseeing the business direction of the Manager. He has over 20 years of experience in the oil and natural gas industry, the last ten years as principal in the start-up and management of several energy ventures including Olympia Energy Ventures Ltd. (1989-1993) and Triad Energy Inc. (1994-1996). Through these ventures, Mr. MacIntyre has been directly involved in and responsible for the acquisition of various petroleum and natural gas properties and the enhancement of the value of those properties through selective operating, marketing, development and exploration strategies. In each of those acquisitions Mr. MacIntyre's companies became the operator of the acquired properties and developed a record of acquiring properties at costs substantially below industry averages.

Prior to 1994, Mr. MacIntyre held executive or engineering operating positions with Sabre Energy Ltd., Vikor Resources Ltd., and Hudson's Bay Oil and Gas Company Ltd. Mr. MacIntyre has a B.Sc. (Eng.) from the University of Manitoba and an MBA from the University of Calgary.

D. Hugh Gillard, President and Chief Operating Officer

Mr. Gillard joined the Manager on January 16, 1999 and has overall responsibility for the day-to-day business and operational activity of PrimeWest. He has more than 28 years of oil and natural gas industry experience, in finance, business development, marketing, land, property rationalization, and senior management. He was President and Chief Executive Officer of CanWest Gas Supply Inc., a major natural gas marketing company from 1994 to December 1998, prior to that, Mr. Gillard was Vice-President, Gas Supply at CanWest Gas Supply Inc. Prior to 1990, Mr. Gillard held various senior positions with Ashland Oil and Gas Inc., Amoco Canada Petroleum Company Ltd. and Dome Petroleum Ltd. Mr. Gillard has a B. Comm. from the University of Calgary and recently completed the Executive Program at Stanford University.

Timothy Granger, Vice President, Production

Mr. Granger joined the Manager in June 1999 and is responsible for field operations and the capital development program. Mr. Granger has more than 20 years of extensive experience in exploitation, production operations and asset management. From 1996 to 1999, Mr. Granger held various managerial positions at Pogo Canada Ltd., Petro-Canada including production engineering and upstream and corporate information technology. Prior to 1996, Mr. Granger held various management positions at Amerada Hess. From 1980 to 1991, Mr. Granger held various engineering positions at Dynex Petroleum, Canterra Energy and Dome Petroleum. Mr. Granger holds a P.Eng. (Mechanical) from Carlton University.

Susan M. Duncan, Vice-President, Finance

Ms. Duncan is responsible for the general financial operations of the Manager and for providing advice to the Manager on tax and accounting matters. Ms. Duncan has over 15 years of experience in finance, accounting, audit and income tax in the oil and natural gas industry and in public accounting. She was Treasurer of Triad Energy Inc. from June, 1995 to October, 1996. Prior to 1995, Ms. Duncan was a Principal at Coopers & Lybrand in Calgary. Ms. Duncan has a B.Comm. from the University of Lethbridge and received her C.A. designation in 1988.

Ronald Ambrozy, Vice-President, Business Development

Mr. Ambrozy has over 23 years of experience in the petroleum and natural gas industry. Prior to joining the Manager in 1997, Mr. Ambrozy held progressively more senior positions at Gulf Canada Resources Limited, as well as manager of Gulf's asset management group. Mr. Ambrozy has a Bachelor of Science in Engineering from the University of Manitoba.

Ann C. Laniel, Land Manager

Ms. Laniel is responsible for all of the Manager's land functions. Ms. Laniel has over 13 years of experience in the oil and natural gas industry, the last ten years of which were directly related to land negotiation, land contracts and mineral and surface administration with Triad Energy Inc. and Olympia Energy Ventures Ltd.

Employees

As of December 31, 1999, the Trust had no employees. The activities of PrimeWest and the Trust are carried out by the Manager pursuant to the terms of the Management Agreement. The Manager had 75 employees (including field staff) as of December 31, 1999, all of which devoted substantially all of their working time to the business of the Trust and PrimeWest.

ITEM 8: ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Trust's securities, interests of insiders in material transactions and the compensation of the Manager, where applicable, is contained in the Circular. Additional financial information is provided in the Trust's consolidated comparative financial statements for the year ended December 31, 1999, contained in the Annual Report.

Upon request to the Secretary of PrimeWest, the Trust will provide one copy of this Annual Information Form, together with one copy of any document incorporated herein by reference, one copy of the Annual Report (including the consolidated comparative financial statements of the Trust for the year ended December 31, 1999 and accompanying report of the auditors), one copy of any interim financial statements subsequent to the consolidated financial statements for the year ended December 31, 1999 and a copy of the Circular dated March 23, 2000.

When securities of the Trust are in the course of a distribution pursuant to a short-form prospectus, or a preliminary short form prospectus has been filed in respect of a distribution of the Trust's securities, copies of the foregoing documents and any other documents that are incorporated by reference into the short form prospectus or preliminary short-form prospectus may also be obtained from the Secretary of PrimeWest.

Glossary of Abbreviations & Terms

Abbreviations

In this Annual Information Form measurements are given in standard Imperial or metric units only. The following table sets forth certain standard conversions:

bbls	Barrels	mcf/d	1,000 cubic feet per day
mbbls	1,000 barrels	bcf	1,000,000,000 cubic feet
mmbbls	1,000,000 barrels	m	1000 cubic metres
bbls/d	Barrels per day	boe	barrels of oil equivalent
mcf	1,000 cubic feet	mboe	1,000 barrels of oil equivalent
mmcf	1,000,000 cubic feet	boe/d	barrels of oil equivalent per day
mlt	1,000 long tons	mmboe	millions of barrels of oil equivalent

For purposes of this document, 10 mcf of natural gas and 1 bbl of NGLs each equal 1 bbl of oil. This conversion rate is not based on price or energy content.

Definitions

In this Annual Information Form, the capitalized terms set forth below have the following meanings:

Amoco means, collectively, Amoco Canada Petroleum Company Ltd. and its affiliates.

Annual Report means the 1999 Annual Report of PrimeWest Energy Trust filed on SEDAR at www.sedar.com.

Cash Distribution Date means the date Distributable Income is paid to Unitholders, currently being the 15th day following any Record Date.

Circular means the Management Proxy Circular of PrimeWest Energy Trust, dated March 23, 2000.

Declaration of Trust means declaration of trust dated August 2, 1996 among the Trustee, PrimeWest and the Initial Unitholder (as therein defined), as amended from time to time.

Distributable Income means 99 percent of the Royalty Income together with any income earned by the Trust from permitted short term investments plus any ARTC, less Crown royalties and other Crown charges that are not deductible by PrimeWest for income tax purposes and that are reimbursed by the Trust to PrimeWest less general and administrative expenses of the Trust.

Established Reserves, Proved Reserves and **Probable Reserves** have the meanings given to those terms in this Annual Information Form under the heading "Oil and Natural Gas Reserves".

General and Administrative Costs means the amount in aggregate representing all expenditures and costs incurred under the Management Agreement in respect of PrimeWest, the Trust or the Royalty or in the management and administration of PrimeWest, the Trust or the Royalty, other than Management Fees.

Management Agreement means the agreement dated October 16, 1996 among the Manager, PrimeWest and the Trustee for and on behalf of the Trust, as amended from time to time, pursuant to which the Manager provides management services to PrimeWest and the Trust.

Management Fees means the fees payable to the Manager pursuant to the Management Agreement.

Manager means PrimeWest Management Inc.

Net Production Revenue in respect of any period for which Net Production Revenue is calculated means the aggregate of:

- (a) the amount received or receivable by PrimeWest in respect of the sale of its interest in all Petroleum Substances produced from the properties;
- (b) Crown royalties and other Crown charges which are not deductible for income tax purposes to the extent those royalties are not included in the amounts described in paragraph (a);
- (c) PrimeWest's share of all other revenues which accrue in respect of the properties including, without limitation,
 - (i) fees and similar payments made by third parties for the processing, transportation, gathering or treatment of their Petroleum Substances in facilities that are part of the properties,
 - (ii) proceeds from the sale or licensing of seismic and similar data,
 - (iii) incentives, rebates and credits in respect of production costs or in respect of capital expenditures,
 - (iv) overhead and other cost recoveries,
 - (v) royalties and similar income; and
- (d) ARTC applicable to the properties;

less

- (e) the amount of non-capital operating costs paid or payable by or on behalf of PrimeWest in respect of operating the properties including, without limitation, the costs of gathering, compressing, processing, transporting and marketing all Petroleum Substances produced therefrom and all other amounts paid to third parties which are calculated with reference to production from the properties including, without limitation, gross overriding royalties and lessors' royalties, but excluding Crown royalties and other Crown charges and any site reclamation and abandonment costs.

Petroleum Substances means petroleum, natural gas and related hydrocarbons (except coal) including, without limitation, all liquid hydrocarbons, and all other substances, including sulphur, whether gaseous, liquid or solid and whether hydrocarbon or not, produced in association with those petroleum, natural gas or related hydrocarbons.

Person means an individual, a body corporate, a partnership (limited or general), a joint venture, a trust, a pension fund, a union, a government and a governmental agency.

PrimeWest means PrimeWest Energy Inc. and its wholly owned subsidiary PrimeWest Resources Ltd.

Record Date means the last day in each month.

Reserve Life Index means the amount obtained by dividing the quantity of reserves by the production of Petroleum Substances from those reserves for the year ending December 31, 1999.

Royalty means the royalty payable by PrimeWest to the Trust pursuant to the Royalty Agreement, which royalty equals 99 percent of Royalty Income.

Royalty Agreement means the agreement dated October 16, 1996 between PrimeWest and the Trustee as trustee for and on behalf of the Trust, as amended from time to time, regarding the creation and sale of the Royalty.

Royalty Income in respect of any period for which Royalty Income is calculated means Net Production Revenue less the aggregate of:

- (a) the Debt Service Charges, Management Fees, General and Administrative Costs and taxes (other than Crown royalties but including any capital taxes) payable by PrimeWest or the Trust;
- (b) capital expenditures intended to improve or maintain production from the properties or to acquire additional properties, in excess of amounts borrowed or designated as a deferred purchase price obligation pursuant to the Royalty Agreement, provided that the amount of capital expenditures that can be deducted will not be in excess of 10 percent of the annual net cash flow from the properties in the year before the year in which the determination is made;
- (c) net contributions to PrimeWest's reclamation fund; and
- (d) ARTC applicable to the properties.

Any income derived from properties which are not working, royalty or other interests in Canadian resource properties or which do not relate to production from working, royalty or other interests in Canadian resource properties, will not be included as Royalty Income and will be used to defray other expenses, capital expenditures of PrimeWest and Debt Service Charges.

Trust Means PrimeWest Energy Trust.

Trust Units means the units of the Trust, each unit representing an equal undivided beneficial interest in the Trust.

Trustee means The Trust Company of Bank of Montreal, or its successor as trustee of the Trust.

Unitholders means the holders from time to time of one or more Trust Units.