

**PRIMEWEST ENERGY TRUST
1600, 530 - 8th AVENUE S.W.
CALGARY, ALBERTA
T2P 3S8**

MANAGEMENT PROXY CIRCULAR

GENERAL PROXY INFORMATION

Solicitation of Proxy

This Management Proxy Circular is furnished in connection with the solicitation of proxies on behalf of The Trust Company of Bank of Montreal (the "Trustee") by PrimeWest Management Inc. (the "Manager"), the manager of PrimeWest Energy Inc. ("PrimeWest") and PrimeWest Energy Trust (the "Trust") pursuant to the terms of the PrimeWest Management Agreement dated October 16, 1996 (as amended), for use at the Annual General and Special Meeting (the "Meeting") of the holders (the "Unitholders") of trust units ("Trust Units") of the Trust to be held at the time and place and for the purposes set forth in the Notice of Annual General and Special Meeting of Unitholders. The Manager will be reimbursed by the Trust for costs of solicitation. In addition to the use of mail, proxies may be solicited by personal interviews, telephone, or facsimile by directors and officers of PrimeWest, without special compensation. Information contained herein is given as of the date hereof unless otherwise specifically stated.

For the purpose of this Management Proxy Circular, unless the context otherwise requires, capitalized terms shall have the meanings ascribed to such terms in the declaration of trust (the "Declaration of Trust") dated as of the 2nd day of August, 1996 and restated as of July 19, 1999 among PrimeWest and the Trustee. A copy of the Declaration of Trust is available to Unitholders from the head office of the Trust on demand and upon payment of reasonable reproduction costs.

Appointment of Proxies

Unitholders who wish to vote their Trust Units should complete and remit the attached form of proxy to the Trustee, 129 Saint Jacques Street, Level A North, Montreal, Quebec H2Y 1L6 (or hand delivery to 2400, 350 - 7th Avenue S.W., Calgary, Alberta T2P 3N9), not less than 24 hours before the time for the holding of the Meeting or any adjournment thereof or with the Chairman of the Meeting prior to the commencement thereof. By a resolution of the directors of PrimeWest, the record date for the Meeting has been established as the close of business on April 11, 2000 (the "Record Date"). Only Unitholders of record as at the Record Date are entitled to receive notice of, and to vote at, the Meeting, subject to the following. In the event a Unitholder of record transfers his Trust Units and the transferee, upon producing properly endorsed certificates evidencing such Trust Units or otherwise establishing that he owns such Trust Units, requests no later than 10 days before the Meeting that the transferee be included in the list of Unitholders entitled to vote, such transferee shall be entitled to vote such Trust Units at the Meeting.

The document appointing a proxy shall be in writing and shall be executed by the Unitholder or his attorney authorized in writing or, if the Unitholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.

The persons named in the enclosed form of proxy are directors or officers of PrimeWest. A Unitholder submitting a form of proxy has the right to appoint a person to represent him at the Meeting (who need not be a Unitholder) other than the person or persons designated in the form of proxy furnished on behalf of the Trustee. To exercise such right, the names of the persons designated by the Manager should be crossed out and the name of the Unitholder's appointee should be legibly printed in the blank space provided.

Revocability of Proxy

A Unitholder who has submitted a form of proxy as directed hereunder may revoke it at any time prior to the exercise thereof. If a person who has given a proxy attends personally at the Meeting at which such proxy is to be voted, such person may revoke the proxy and vote in person. In addition to the revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the Unitholder or his attorney or authorized agent and deposited either at the registered office of the Trustee at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof, and upon either of such deposits, the proxy is revoked.

Exercise of Discretion By Proxy

The Trust Units represented by proxy in favour of the listed nominees will be voted on any ballot at the Meeting and, where the Unitholder specifies a choice with respect to any matter to be acted upon, such Trust Units shall be voted on any ballot in accordance with the specification so made. **In the absence of such specification, Trust Units will be voted to grant the Trustee approval to direct the Manager to vote Common Shares of PrimeWest in favour of the proposed resolutions of PrimeWest and to vote in favour of the proposed resolutions of the Unitholders. The persons appointed under the form of proxy furnished on behalf of the Trust by the Manager are conferred with discretionary authority with respect to amendments or variations of those matters specified in the proxy and notice of meeting and as to other matters which may properly come before the Meeting. At the time of mailing of this Management Proxy Circular, none of the Trustee, management of PrimeWest and the Manager know of any such amendment, variation or other matter.**

SECURITIES AND PRINCIPAL HOLDERS THEREOF

Trust Units

The Trust is a open-end investment trust which was formed for the purpose of acquiring a net production royalty (the "Royalty") in all of the oil and gas properties owned from time to time by PrimeWest and issuing Trust Units to the public. The sole beneficiaries of the Trust are the holders of the Trust Units. As at March 13, 2000, the Trust had 35,844,176 issued and outstanding Trust Units. Pursuant to the terms of the Declaration of Trust, Unitholders of record are entitled to notice of and to attend at the Meeting, in person or by proxy, and to one vote per Trust Unit held on any ballot thereat.

Common Shares of PrimeWest

PrimeWest, the owner of the properties in respect of which the Royalty has been granted, presently has 100 issued and outstanding common shares ("Common Shares") to which are attached voting rights. All Common Shares are owned by the Manager. The Manager, pursuant to the terms of the PrimeWest Unanimous Shareholder Agreement is, except as specifically set forth therein, obligated to exercise the voting rights attached to the Common Shares in the manner directed by resolution of the Unitholders.

Principal Holders of Trust Units

To the best of the knowledge of the directors and officers of PrimeWest, no person beneficially owns directly or indirectly, or exercises control or direction over Trust Units carrying more than 10 percent of the votes attached to all of the issued and outstanding Trust Units of the Trust.

MATTERS TO BE CONSIDERED AT THE MEETING

1. Financial Statements

At the Meeting, the consolidated financial statements of the Trust for the year ended December 31, 1999 and the auditors' report thereon will be presented. These financial statements are included in the 1999 Annual Report of the Trust.

2. Election of Directors

PrimeWest has a board of directors (the "Board of Directors") currently consisting of five members, three of whom were nominated by the Trust and two of whom were nominated by the Manager. At the Meeting, it is proposed that the Board of Directors be granted the authority to expand the board to seven members. Until the exercise of such authority the Board of Directors will remain at five members, three of whom are being nominated by the Trust at the Meeting pursuant to the terms of the PrimeWest Unanimous Shareholder Agreement. The remaining two directors are being appointed by the Manager. Subject to the approval by Unitholders of the Director Appointment Amendment, it is intended that an additional two directors will be appointed by the Independent Directors prior to the next annual meeting of the Trust.

Nominees of the Trust

The following persons (the "Independent Directors") are proposed by the Manager on behalf of the Trustee as the Trust's nominees for election as directors of PrimeWest to serve until the next annual meeting of Unitholders or until their successors are duly elected or appointed. If any vacancies occur in the slate of such nominees because any nominee is unable to serve or will not serve, the discretionary authority conferred by the proxies appointing management nominees will be exercised to grant approval to the Trustee to cause the Manager to vote for the election of any other person or persons nominated by the Trustee. The names of the nominees for election as directors, their municipalities of residence, principal occupations, year in which each became a director of PrimeWest and numbers of Trust Units beneficially owned or over which control or direction is exercised by such persons, as at March 23, 2000, are as follows:

<u>Name and Present Principal Occupation or Employment</u>	<u>Director of PrimeWest Since</u>	<u>Municipality of Residence</u>	<u>Trust Units Beneficially Owned or over which Control or Discretion is Exercised as at March 23, 2000</u>
HAROLD P. MILAVSKY Chairman Quantico Capital Corp.	1996	Calgary, Alberta	22,600
BARRY E. EMES Partner Stikeman Elliott	1996	Calgary, Alberta	9,000
HAROLD N. KVISLE Senior Vice President, Energy Operations TransCanada Pipelines Limited	1996	Calgary, Alberta	10,000

Each of the foregoing persons has been engaged in the occupation set forth above or similar occupations with the same employer for the last five years, other than Mr. Kvisle who prior to [September](#), 1999 was President of Fletcher Challenge Energy Canada Inc.

Nominees of the Manager

The Manager has advised that the following persons are the nominees of the Manager proposed for election as directors of PrimeWest:

<u>Name and Present Principal Occupation or Employment</u>	<u>Director of PrimeWest Since</u>	<u>Municipality of Residence</u>	<u>Trust Units Beneficially Owned or over which Control or Discretion is Exercised as at March 23, 2000</u>
KENT J. MACINTYRE Chief Executive Officer PrimeWest Energy Inc.	1996	Calgary, Alberta	140,327
D. HUGH GILLARD President and Chief Operating Officer PrimeWest Energy Inc.	1999	Calgary, Alberta	5,517

Neither Mr. MacIntyre nor Mr. Gillard have been employed in their current positions for more than five years. Prior to July, 1996 Mr. MacIntyre's principal occupation was Chief Executive Officer of Triad Energy Inc. (March, 1994 - July, 1996). Mr. Gillard was President and Chief Executive Officer of CanWest Gas Supply Inc. from 1994 to December 1998.

3. Appointment of Auditors

Unless it is specified in a proxy that the Unitholder withholds approval for the Trustee to cause the appointment of PricewaterhouseCoopers LLP ("PWC") as auditors of PrimeWest and the Trust, the persons named in the enclosed form of proxy intend to grant approval to the Trustee to cause the appointment of PWC as auditors of PrimeWest and the Trust, to hold office until the next annual meeting of Unitholders following the Meeting, with remuneration to be determined by the Manager and approved by the Board of Directors. PWC was initially appointed as the auditors of PrimeWest and the Trust upon the creation of the Trust and have audited the consolidated comparative financial statements for the years ended December 31, 1997 through 1999 and the consolidated financial statements for the period from August 2, 1996, the date of the Declaration of Trust, to December 31, 1996.

Representatives of PWC will be present at the Meeting and will have the opportunity to make a statement and to respond to appropriate questions.

4. Director Appointment Amendment

The PrimeWest Unanimous Shareholder Agreement provides that the Board of Directors shall consist of between five and nine directors and that Unitholders shall be entitled to nominate a majority of the directors. The Board of Directors currently consists of five members, three of whom are nominated by the Unitholders and two of who are appointed by the Manager.

The Board of Directors have determined that it would be beneficial to Unitholders to increase the number of Independent Directors from three to five. While a selection process is currently underway to identify appropriate candidates, that process will not be completed prior to the Meeting.

Accordingly, the Board of Directors have approved and recommend to the Unitholders for approval by them at the Meeting, a special resolution (the "Director Appointment

Resolution") to amend the PrimeWest Unanimous Shareholder Agreement, to allow the Independent Directors to appoint an additional two directors to the Board of Directors, subject to a maximum of five directors being Independent Directors. It is intended that an additional two Independent Directors will be appointed prior to the next annual meeting of Unitholders.

The form of the Director Appointment Resolution is set forth in Schedule "A".

5. Distribution Reinvestment Plan Amendment

The Trust currently has in place a distribution reinvestment plan which allows Unitholders to elect to have the distributions which are payable on the Trust Units held by them reinvested in additional Trust Units. Under the current plan the distributions which are reinvested are converted to Trust Units at the then prevailing market price. Current participation in the plan is quite modest. In order to encourage participation in the Trust's distribution reinvestment plan, it is proposed that the plan be amended to provide that distributions which are reinvested under the plan are to be converted to Trust Units at a 5% discount to the then prevailing market price.

The Board of Directors have approved and recommend to the Unitholders for approval by them at the Meeting, a special resolution (the "DRIP Amendment Resolution") to amend the Declaration of Trust, in a manner which will allow the Trust's distribution reinvestment plan to be amended to permit the reinvestment of distributions in Trust Units at a 5% discount to the then prevailing market price.

The form of the DRIP Amendment Resolution is set forth in Schedule "A".

6. Borrowing Limitation Amendment

The PrimeWest Royalty Agreement provides that borrowings by PrimeWest shall be limited (the "Royalty Borrowing Limitation") to not more than 40% of PrimeWest's Reserve Value (being the net present worth of all of the estimated pre-tax net cash flow from PrimeWest's established reserves (proved plus 50% of probable) discounted at 15% and using escalating cost and price assumptions) and to an amount in respect of which the estimated debt service costs for the next 12 months does not exceed 30% of PrimeWest's estimated net production revenue, less management fees, general and administrative costs and taxes.

As a result of the Trust's conversion to an "open-end" mutual fund trust, the Trust is no longer required to hold only qualified investments such as royalties. The Trust may now hold oil and gas properties directly and may hold debt and equity securities of one or more corporations which own oil and gas properties and other related assets. In addition, the Trust is permitted to borrow funds directly rather than through PrimeWest. Accordingly, the Royalty Borrowing Limitation must be revised to reflect the reorganization of the Trust.

It is proposed that the Royalty Borrowing Limitation be deleted from the Royalty Agreement and that a revised form of borrowing limitation (the "Trust Borrowing Limitation") be adopted for inclusion in the Declaration of Trust. The Trust Borrowing Limitation would provide that the Trust, PrimeWest and their respective subsidiaries would be prohibited from incurring additional third party borrowings if at the time of such third party borrowings and after giving effect to such borrowings:

- (a) the aggregate of all third party borrowings would not exceed 40% of the Reserve Value of all of the oil and gas properties and related assets owned (without duplication) by the Trust, PrimeWest and their respective subsidiaries, plus with 40% of the net asset value of all non-reserve based assets; and
- (b) the estimated debt service costs determined at the time of borrowing do not for the 12 month period following that borrowing exceed 30% of the estimated consolidated cashflow (without duplication) of the Trust plus the Trust's consolidated interest expense for that 12 month period.

For the purpose of the Trust Borrowing Limitation, Reserve Value would be defined as the present worth of all of the estimated pre-tax net cashflow from proved reserves and 50% of the estimated pre-tax net cashflow from probable reserves shown in the most recent engineering report relating to such reserves, discounted at a rate equal to the then current annual yield on ten year Government of Canada bonds plus 400 basis points (to a maximum of 15%) and using escalating price and cost assumptions.

The Board of Directors have approved and recommend to the Unitholders for approval by them at the Meeting, a special resolution (the "Borrowing Limitation Resolution") to amend the Royalty Agreement by deletion of the Royalty Borrowing Limitation and to amend the Declaration of Trust by including therein the Trust Borrowing Limitation.

The form of the Borrowing Limitation Resolution is set forth in Schedule "A".

7. Special Voting Unit Amendment

The issue of creating a special voting unit under the Declaration of Trust arises in the context of a subsidiary of the Trust or PrimeWest issuing shares exchangeable into Trust Units ("Exchangeable Shares"), as consideration for the purchase of all of the shares of a corporation, which owns oil and gas properties. Exchangeable share transactions are commonly used in corporate acquisitions to give the selling shareholder a tax deferred roll-over on the sale of the shareholder's shares, which may not otherwise be available. In an exchangeable share transaction the tax event is generally deferred until the exchangeable shares are actually exchanged.

In order to allow the holders of Exchangeable Shares to vote at meetings of Unitholders, it is proposed that the Declaration of Trust be amended to create a special voting unit (the "Special Voting Unit"). The Special Voting Unit would have no rights other than the right to vote at meetings of Unitholders. Upon the Trust, PrimeWest or one of their respective subsidiaries completing an acquisition, which involved the issuance of Exchangeable Shares, a Special Voting Unit would be issued to a trustee. The Special Voting Unit would entitle the trustee to vote at meetings of Unitholders and to cast thereat a number of votes equal to the number of Trust Units for which that number of Exchangeable Shares being voted are then exchangeable.

The Board of Directors have approved and recommend to the Unitholders for approval by them at the Meeting, a special resolution (the "Special Voting Unit Resolution") to amend the Declaration of Trust to provide for the creation of Special Voting Units.

The form of the Special Voting Unit Resolution is set forth in Schedule "A".

8. Royalty Disposition or Amendment Approval

As a result of the Trust's conversion to an "open-end" mutual fund trust, the Trust is no longer required to hold only qualified investments such as royalties. The Trust may now hold oil and gas properties directly or may hold debt and equity securities of one or more corporations, which own oil and gas properties. Pursuant to the terms of the Declaration of Trust the disposition of, or the amendment of the terms of, the Royalty granted to the Trust by PrimeWest requires the approval of the Unitholders by special resolution.

In furthering the reorganization of the Trust as an "open-end" mutual fund trust, the Trust has determined that it may wish to sell the Royalty to PrimeWest in exchange for debt and equity securities of PrimeWest or otherwise amend the terms of the Royalty to facilitate a reorganization of the capital structure of PrimeWest. While this restructuring is currently under review, if the Board of Directors elects to proceed with the restructuring, it is expected that there will be significant organizational, administrative and cost savings, which will accrue to the Trust.

The Board of Directors have approved and recommend to the Unitholders for approval by them at the Meeting, a special resolution (the "Royalty Disposition or Amendment Resolution") to consent to and approve the sale of the Royalty to PrimeWest or the amendment of the terms of the Royalty in the manner and at the time to be determined by the Board of Directors.

The form of the Royalty Disposition or Amendment Resolution is set forth in Schedule "A".

9. Increase in Responsibilities of Board of Directors of PrimeWest

The Declaration of Trust does not contain provisions which specifically delineate the responsibilities as between the Trustee, PrimeWest and the Manager in respect of the maximization of Unitholder value in the context of an offer for the issued Trust Units, such as in the case of a take-over bid, or of all or substantially all of the assets of the Trust or PrimeWest or any subsidiary or PrimeWest or the Trust (an "Offer").

The Trustee does not have the facilities nor the expertise to offer advisory services to the Trust as may be required in the event of an Offer. Traditionally, the role of responding to an Offer and considering and approving various strategies for the maximization of shareholder value have been taken initially by an independent committee of the board of directors of the target company and ultimately approved by the board of directors of the target company. The appropriate body on which to repose such responsibilities in the case of the Trust is the Board of Directors, which has a majority of Independent Directors selected by Unitholders.

The Board of Directors have approved and recommend to the Unitholders for approval by them at the Meeting, a special resolution (the "Response Resolution") to amend the Declaration of Trust, to limit the power of the Trustee in respect of the exercise of the rights, powers and privileges for all matters relating to the maximization of Unitholder value in the context of an Offer, including any Unitholder rights protection plan (or amendment or waiver

thereof), any defensive action to an Offer, any Directors Circular in response to an Offer, any regulatory or court proceeding relating to an Offer and any related or ancillary matter and giving the exercise of such rights, powers and privileges for all such matters directly and solely, to the Board of Directors.

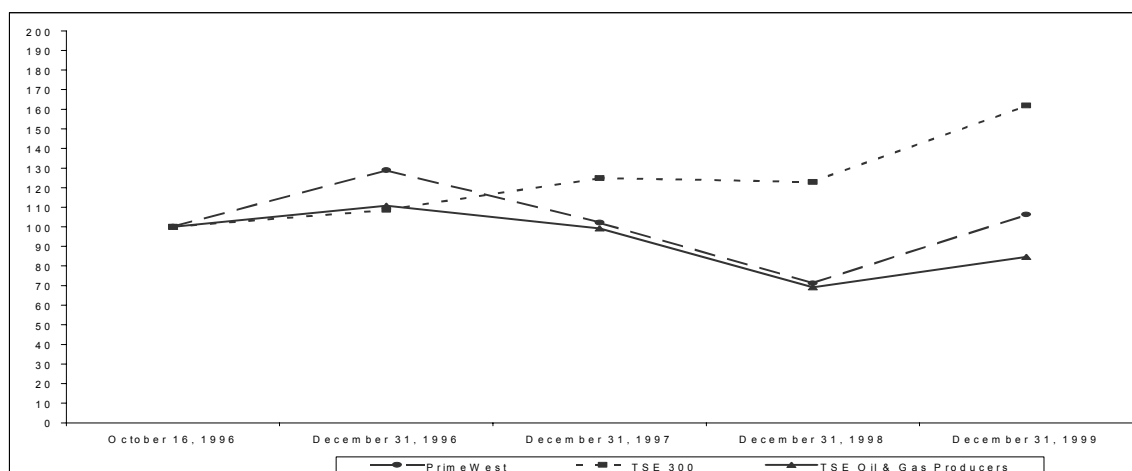
The form of the Response Resolution is set forth in Schedule "A".

PERFORMANCE ANALYSIS

The following graph compares the cumulative total unitholder return (assuming a \$100 investment in the Trust Units on October 16, 1996) with the cumulative total return of the TSE 300 Composite Total Return Index and the TSE Oil & Gas Producers Total Return Index, assuming the reinvestment of distributions, where applicable, for the comparable period. The total unitholder return shown in the following graph is based on a first instalment payment of \$6.00 per Trust Unit at the time of the Trust's initial public offering on October 16, 1996 and assumes that the \$4.00 final instalment payment was made by Unitholders in 1997 and on or before October 16, 1997, as was required of Unitholders who had acquired Trust Units on an instalment payment basis.

Index	October 16, 1996	December 31, 1996	December 31, 1997	December 31, 1998	December 31, 1999
PrimeWest	\$100	\$129.00	\$102.23	\$71.18	106.28
TSE 300	100	108.62	124.89	122.92	161.90
TSE Oil & Gas Producers	100	110.83	99.24	69.06	84.61

Note: The first trading date of the Trust Units, then represented by instalment receipts, on The Toronto Stock Exchange was October 16, 1996.



EXECUTIVE COMPENSATION

PrimeWest's officers received no direct compensation from PrimeWest in 1999. However, all officers of PrimeWest are also officers of the Manager and were compensated by the Manager. Pursuant to the PrimeWest Management Agreements, the Manager is

reimbursed by PrimeWest and the Trust for all of its general and administrative expenses, including executive compensation. A more detailed description of this arrangement can be found under the heading "Interest of Insiders in Material Transactions and Management Contracts".

Report on Executive Compensation

The Independent Directors act as the Compensation Committee for PrimeWest and the Trust. Pursuant to the terms of the PrimeWest Management Agreements the compensation paid to the senior officers of the Manager is subject to the approval of the Board of Directors. The Independent Directors have reviewed the compensation structure of the Manager with respect to its executive officers to ensure that the Manager is able, and continues to be able, to attract and retain quality and experienced individuals to its management team and to motivate these individuals to perform to the best of their ability and in the best interests of the Trust.

Employees of the Manager, including executives, participate in a group registered retirement savings plan (the "Employee Group RRSP") set up by the Manager. The Employee Group RRSP is administered on behalf of the participants by Mutual Life of Canada. Under the terms of the Employee Group RRSP, the Manager contributes 5% of the base salary paid to an employee to the plan on behalf of the employee. Contributions to the Employee Group RRSP vest immediately and there are no plan restrictions on employees in respect of the withdrawal or transfer of funds contributed to the plan on their behalf.

Employees of the Manager, including executives, also participate in a short term incentive plan (the "Short Term Incentive Plan") under which annual cash bonuses are payable to employees in an amount to be determined based on a combination of individual and Trust performance. Payments under the plan are made at the end of February of each year. The maximum amount payable under the Short Term Incentive Plan for executives, other than the chief executive officer and chief operating officer, is 50% of base salary and 60% of base salary for the chief executive officer and chief operating officer. Eighty percent of the amount of the executive officers bonus under the Short Term Incentive Plan is determined strictly on the basis of the Trust meeting operational and distribution targets set by the Board of Directors at the beginning of each calendar year. The balance of any such bonus is determined based on individual performance. In the case of executives, other than the chief executive officer and chief operating officer, individual performance is assessed by the chief operating officer. In the case of the chief operating officer, individual performance is assessed by the chief executive officer. The chief executive officer's individual performance is assessed by the Board of Directors.

Unit Appreciation Rights under the Trust Unit Incentive Plan are granted at the discretion of the Board of Directors to executive officers from time to time as a long term performance incentive. Subject to the discretion of the Board of Directors, the Manager has adopted a policy for future grants of new Unit Appreciation Rights to employees, including the executive officers, on an annual basis. Under the terms of the Trust Unit Incentive Plan, participating executive officers may be eligible to receive Trust Units or a cash payment, based on the total return to Unitholders (measured by both changes in Trust Unit prices and cash distributions made to Unitholders) being in excess of a threshold of five percent per annum.

The Board of Directors and the Manager undertake an independent review of the compensation package of its executive officers annually with a view to ensuring that the compensation paid to its executive officers is commensurate with compensation packages provided by operating Canadian oil and gas companies and royalty trusts of a similar size and capitalization and with a similar performance to that of the Trust on an ongoing basis.

Summary Compensation Table

The following table sets forth information concerning the total compensation paid to "named executive officers" of the Manager for which the Manager was reimbursed by PrimeWest or the Trust during the year ended December 31, 1999. Aspects of this compensation are dealt with in the following tables.

Name and Principal Position ⁽⁴⁾	Year ⁽¹⁾	Annual Compensation		Long-Term Compensation		All Other Compensation (\$)
		Salary (\$)	Other Annual Compensation (\$) ⁽²⁾	Awards	Payouts	
				Unit Appreciation Rights Granted (#) ⁽³⁾	LTIP Payouts	
Kent J. MacIntyre Chief Executive Officer	1999	275,000	199,475 ⁽⁵⁾	199,275	-	-
	1998	275,000	16,689	254,630	-	-
	1997	260,000	12,620	142,077	-	-
D. Hugh Gillard President & COO	1999	238,984	16,274	247,525	-	-
Tim Granger President, Production	1999	96,591	7,170	64,394	-	-
Ronald Ambrozy Vice President, Corporate Development	1999	137,500	32,324	50,182	-	-
	1998	130,000	8,279	61,905	-	-
	1997	28,167	1,925	106,557	-	15,000
Susan M. Duncan Vice President, Finance	1999	137,500	36,629	49,819	-	-
	1998	125,000	48,102	57,870	-	-
	1997	125,000	8,359	34,153	-	-

Notes:

- (1) Ms. Duncan became an employee of the Manager effective February 1, 1997, Mr. MacIntyre became an employee of the Manager effective April 1, 1997, Mr. Ambrozy became an employee of the Manager on October 13, 1997, Mr. Gillard became an employee effective January 18, 1999 and Mr. Granger became an employee effective June 8, 1999.
- (2) Amounts include payments under the short term incentive plan and benefits paid to the employees such as the Group RRSP and other taxable amounts.
- (3) The Unit Appreciation Rights are described below. See "Executive Compensation - Unit Appreciation Rights".

- (4) Certain officers indirectly hold economic interests in the Manager and accordingly receive an indirect benefit through amounts paid to the Manager. See "Interest of Insiders in Material Transactions and Management Contracts".
- (5) Of this amount \$133,500 relates to a bonus for 1997 paid in 1999.

Unit Appreciation Rights

Except as set out below, no options or other Trust Unit rights have been granted to any officer of PrimeWest or the Manager. Under the terms of the Trust Unit Incentive Plan, personnel entitled to participate in the plan will be entitled to exercise the unit appreciation rights ("Unit Appreciation Rights") granted to them in one-third increments over each of the first three anniversaries of the effective date of the grant thereof. The following table sets forth certain information relating to the Unit Appreciation Rights issued to the named executive officers under the Trust Unit Incentive Plan, during the year ended December 31, 1999.

Name	Unit Appreciation Rights Granted (#)	% of Total Unit Appreciation Rights Granted in Fiscal Period	Base Price of Trust Units underlying Unit Appreciation Rights (\$/Unit)	Market Value of Trust Units Underlying Unit Appreciation Rights on the Date of Grant (\$/Unit)	Expiration Date
Kent J. MacIntyre	199,275	15%	\$6.90	\$6.90	October 15, 2005
Hugh Gillard	247,525	19%	\$5.05	\$5.05	January 18, 2005
Tim Granger	64,394	5%	\$6.60	\$6.60	June 8, 2005
Ronald Ambrozy	50,182	4%	\$6.85	\$6.85	October 12, 2005
Susan M. Duncan	49,819	4%	\$6.90	\$6.90	October 15, 2005

The following table and the notes thereto set forth information concerning aggregated exercises of Unit Appreciation Rights by the named executive officers during the year ended December 31, 1999 together with the number and value of unexercised Unit Appreciation Rights held by each of the named executive officers as at December 31, 1999.

Name	Trust Units Acquired on Exercise	Aggregate Value Realized	Unexercised Unit Appreciation Rights at Year End		Value of Unexercised in-the-money Unit Appreciation Rights at Year End \$	
			Vested	Unvested ⁽¹⁾	Vested	Unvested ⁽¹⁾
Kent J. MacIntyre	-	-	567,799	418,183	175,618	356,558

Name	Trust Units Acquired on Exercise	Aggregate Value Realized	Unexercised Unit Appreciation Rights at Year End		Value of Unexercised in-the-money Unit Appreciation Rights at Year End \$	
			Vested	Unvested ⁽¹⁾	Vested	Unvested ⁽¹⁾
Hugh Gillard	-	-	-	247,525	-	561,882
Tim Granger	-	-	-	64,394	-	23,826
Ronald Ambrozy	-	-	90,757	127,887	45,965	93,321
Susan M. Duncan	-	-	135,388	100,204	39,913	81,036

Notes:

- (1) The board of directors of PrimeWest has the ability to accelerate the vesting of all unvested Unit Appreciation Rights on the occurrence of any one of a number of specified events.

Compensation of Directors

The Chairman of PrimeWest is paid an annual retainer of \$12,500 and an additional \$1,250 for each Board of Directors, Audit Committee and Compensation Committee meeting attended. Each of the other Independent Directors of PrimeWest receive an annual retainer of \$10,000 and an additional \$1,000 for each Board of Directors, Audit Committee and Compensation Committee meeting attended. In addition, each Independent Director has been granted a total of 14,493 Unit Appreciation Rights under the Trust Unit Incentive Plan during the fiscal period ended December 31, 1999. The Independent Directors receive an annual grant of a number of Unit Appreciation Rights determined by the formula applicable to Independent Directors. Mr. Emes is a partner of Stikeman Elliott, which firm receives fees for legal services rendered to PrimeWest and the Trust.

Liability Insurance of Directors and Officers

PrimeWest maintains directors' and officers' liability insurance coverage for losses to PrimeWest if it is required to reimburse directors and officers, where permitted, and for direct indemnity of directors and officers where corporate reimbursement is not permitted by law. The insurance protects PrimeWest against liability (including costs), subject to standard policy exclusions, which may be incurred by directors and/or officers acting in such capacity for PrimeWest. All directors and officers of PrimeWest are covered by the policy and the amount of insurance applies collectively to all.

INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS AND MANAGEMENT CONTRACTS

The Trust Company of Bank of Montreal is the Trustee and also acts as the transfer agent for the Trust Units. The Trustee is paid a reasonable fee in connection with the

administration of the Trust and is also reimbursed for all of its expenses properly incurred, as agreed by the Trustee and PrimeWest.

PrimeWest is a corporation established under the laws of the Province of Alberta. PrimeWest has granted a 99% net profits royalty to the Trust on all oil and gas properties owned now and in the future by PrimeWest.

The Manager is a corporation established under the laws of the Province of Alberta whose business is restricted to managing the oil and gas properties owned, directly and indirectly, by PrimeWest and the Trust and to managing PrimeWest, the Trust and their subsidiaries, all pursuant to the provisions of the PrimeWest Management Agreements. A description of the compensation received by the Manager for providing management services to PrimeWest and the Trust is set out below.

All of the shares of the Manager are held by Canadian Income Fund Group Inc., a corporation wholly-owned by Mr. MacIntyre, although certain present and past officers of the Manager and their family members have economic interests therein. The Manager is effectively controlled by Mr. MacIntyre.

Mr. Emes, a director of PrimeWest, and Mr. Bruvall, the Secretary of PrimeWest and the Manager, are partners in Stikeman Elliott, a law firm which provides legal services to the Trust, PrimeWest and the Manager.

Management Fees

Pursuant to the PrimeWest Management Agreements, the Manager receives (a) a management fee, payable on the 15th day following each March 31, June 30, September 30 and December 31 equal to 2.5% of the total of Net Production Revenue (as defined therein) plus Alberta royalty tax credit, if any, less Crown royalties and other Crown charges attributable to the properties of PrimeWest, the Trust or their subsidiaries; and (b) quarterly incentive payments. The quarterly incentive payments for the year ended December 31, 1999 amounted to 67,762 Trust Units. The incentive payments are adjusted quarterly based on the total issued and outstanding Trust Units so that the quarterly incentive payments will be in the same proportion as 12,500 is to the outstanding Trust Units on the closing of the initial public offering of the Trust.

Acquisition and Disposition Fees

The Manager is paid an acquisition fee equal to 1.5% of the purchase price of any assets acquired by PrimeWest, the Trust or their respective subsidiaries. In the event that PrimeWest, the Trust or any subsidiary disposes of any assets, the Manager receives a disposition fee equal to 1.25% of the sale price of the properties sold. In the case of asset exchanges or swaps, the Manager receives the 1.5% acquisition fee up to the purchase price of any assets acquired and receives the 1.25% disposition fee to the extent the value of the assets being disposed of exceeds the value of the assets being acquired. During the year ended December 31, 1999, an aggregate of \$615,406 in acquisition and disposition fees was paid to the Manager.

General and Administrative Costs

The Manager is reimbursed for all of its general and administrative costs by either PrimeWest or the Trust. Overhead recoveries by PrimeWest as operator of those properties which are operated by PrimeWest are used to offset general and administrative costs incurred by the Manager.

Residual Royalty Income

The Trust has been granted a royalty equal to 99% of the net profits from the properties of PrimeWest and of the properties owned by a subsidiary of PrimeWest. The remaining 1% of such net profits remain with PrimeWest or its subsidiary, as the case may be. Pursuant to Unanimous Shareholder Agreements, the Manager is entitled to receive dividends equal to such amount payable quarterly.

Total Compensation for the Year Ended December 31, 1999

In total, the Manager received \$2,853,777, inclusive of the 1% residual royalty dividend of \$406,000 and the 67,762 Trust Units issued to the Manager as the quarterly incentive payments (which were given a value equal to the closing price of Trust Units on The Toronto Stock Exchange on the date of issuance), for services provided under the Management Agreements during the year ended December 31, 1999. These amounts include compensation to the Manager for taking the initiative in setting up and organizing PrimeWest and the Trust and acquiring the initial properties purchased by PrimeWest.

CORPORATE GOVERNANCE

The Board of Directors and senior management consider good corporate governance to be central to the effective and efficient operation of PrimeWest and the Trust and fully support the Guidelines for Corporate Governance as set forth by The Toronto Stock Exchange (the "TSE Guidelines"). The TSE Guidelines are addressed below.

Composition of the Board of Directors and Independence

An "unrelated" director for the purposes of the TSE Guidelines is a director who is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the corporation, other than interests arising from shareholdings. In defining an unrelated director, the TSE Guidelines placed emphasis on the ability of a director to exercise objective judgment, independent of management. The TSE Guidelines also made an informal distinction between inside and outside directors. The TSE Guidelines consider an inside director a director who is an officer or employee of the corporation or any of its affiliates.

The composition of the Board of Directors is prescribed by the PrimeWest Unanimous Shareholder Agreement, which provides that a number of directors equal to the number of directors nominated by the Trust less one (presently Messrs. MacIntyre and Gillard) are to be nominees of the Manager. Messrs. MacIntyre and Gillard are officers of PrimeWest and the Manager and are not independent directors. Three directors (presently Messrs. Emes, Kvisle and Milavsky) are nominees of the Trust pursuant to the Unanimous Shareholder Agreement.

The three nominees of the Trust are independent directors. Although Mr. Emes is a partner in a law firm which provides services to PrimeWest, the Board of Directors does not believe that this interferes in any way with Mr. Emes' ability to act with a view to the best interests of PrimeWest. Pursuant to the terms of the Unanimous Shareholder Agreement, an independent director is to be elected the chairman of the Board of Directors by the directors from among their number. Mr. Milavsky is the independent director so elected as chairman.

PrimeWest does not provide formal education programs for new directors, but does provide such orientation and information as individual directors may request. All directors, notwithstanding the manner in which they were nominated, are required to act in the best interests of PrimeWest.

Board Committees

The Board of Directors has an Audit Committee and a Corporate Governance and Compensation Committee, which are both made up of the Independent Directors, all of which are outside directors as required by the TSE guidelines. The Audit Committee also functions as the Board of Director's Reserves Committee. PrimeWest believes that the size of the Board of Directors is sufficiently small that certain matters that might otherwise be delegated to committees can be dealt with effectively by the entire Board of Directors. The Board of Directors as a whole has reviewed the compensation of the directors in light of their risks and responsibilities, as required by the TSE Guidelines. In addition, the Board of Directors has the ability to function independently of management and has the ability to engage outside advisors, at PrimeWest's expense, should the Board of Directors or individual directors so wish, as specified in the TSE Guidelines.

Delegation of Authority

The PrimeWest Management Agreements dictate the role of the Board of Directors of PrimeWest as supervisor of the Manager, as manager of PrimeWest and the Trust, and as the Trustee's delegate. The Board of Directors is responsible under applicable law for the management of the business and affairs of PrimeWest and consequently ensuring that the Manager fulfils its obligations under that agreement. The Board of Directors retains all powers which are not expressly delegated to the Manager.

APPROVAL AND CERTIFICATION

The contents and mailing of this Management Proxy Circular have been approved by the directors of PrimeWest.

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

DATE: March 23, 2000

**PRIMEWEST ENERGY TRUST
BY: PRIMEWEST MANAGEMENT INC., AS MANAGER**

(Signed) Kent J. MacIntyre
Director and Chief Executive Officer

(Signed) Susan M. Duncan
Vice President, Finance

SCHEDULE "A"

A. DIRECTOR APPOINTMENT RESOLUTION

BE IT RESOLVED THAT Section 3.2 of the Unanimous Shareholder Agreement be deleted and replaced with the following:

"3.2 Additional Board Members

The Independent Directors acting together shall be entitled, at anytime, to appoint up to an additional two (2) Independent Directors to the Board of Directors, subject to the maximum number of Independent Directors comprising the Board of Directors at anytime being limited to five (5). In the event the Independent Directors appoint additional Independent Directors as provided for above, the Shareholder shall resolve to elect such persons so appointed and shall be entitled to elect an equal number of additional Management Directors without the approval of the Unitholders, subject at all times to the total number of Management Directors being not greater than one less than the total number of Independent Directors."

B. DRIP AMENDMENT RESOLUTION

BE IT RESOLVED THAT Section 5.5 of the Declaration of Trust be deleted and replaced with the following:

"5.5 Reinvestment of Distributions

- (a) Subject to receipt of all regulatory approvals, the Trust will make available to Unitholders the opportunity to reinvest distributions from the Trust in additional Units by participating in a distribution reinvestment plan (the "Plan"). Upon a Unitholder electing to be enrolled in the Plan, all distributions from the Trust will automatically be reinvested on such Unitholder's behalf pursuant to the Plan until such Unitholder terminates his enrolment in the Plan or the Trust terminates the Plan.
- (b) Distributions due to participants in the Plan will be paid to the Trustee in its capacity as agent under the Plan (the "Plan Agent") and be applied to the purchase of Units. The Plan Agent shall make such purchases from the Trust at a discount to the prevailing market price of 5%.
- (c) The Plan Agent shall furnish to each participant after each distribution a report of the Units purchased for the participant's account in respect of such distribution and the cumulative total of all Units purchased for that account. The Trust shall pay out of the Trust Fund the Plan Agent's charges for administering the Plan. Certificates representing Units purchased under the Plan will be issued only upon request of the Unitholder, upon termination of the Unitholder's participation in the Plan or upon termination of the Plan. Distributions on fractional Units will be credited to each participant's account. However, no certificates for fractional Units will be issued. A cash adjustment for any fractional Units shall be paid to such Unitholders, when

necessary, by cheque or, with the concurrence of the Plan Agent, as such Unitholder shall otherwise direct.

- (d) Unitholders may terminate their participation in the Plan by written notice to the Plan Agent. Such notice, if actually received prior to a Distribution Date, will be given effect to on that Distribution Date. Thereafter, distributions to such Unitholders will be by cheque. The Trust may terminate the Plan, in its sole discretion, upon not less than 30 days' notice to the participants."

C. BORROWING LIMITATION RESOLUTION

BE IT RESOLVED THAT Section 6.10 of the Royalty Agreement be deleted and the Declaration of Trust be amended by the insertion of the following Section 8.16 at the end of Article 8 thereof:

"8.16 Limitations on Borrowing

The Trust will not borrow, and will not permit PrimeWest or any of their respective subsidiaries to borrow, any funds from any third party (whether by way of direct cash advances, requesting the issuance of bankers' acceptances or letters of credit or otherwise), unless at the time of such borrowings and after giving effect to such borrowings:

- (a) the aggregate amount of all third party borrowings on a consolidated basis outstanding are not greater than 40% of the Reserve Value of all of the oil and gas properties (including any properties being acquired with such borrowings) owned by the Trust, PrimeWest and their respective subsidiaries (without duplication) plus 40% of the net asset value of all non-reserve based assets at that time; and
- (b) the Trust's bona fide estimate of the Debt Service Costs which will accrue during the 12 month period thereafter will not exceed 30% of the Trust's bona fide estimate of the aggregate of the following for such period:
 - (i) the Trust's consolidated cashflow; plus
 - (ii) the Trust's consolidated interest expense.

where:

"Debt Service Costs" means, in respect of any period and without duplication, on a consolidated basis:

- (a) all interest, penalties, fees, indemnities, legal costs, and other costs, expenses and disbursements for which the Trust, PrimeWest, and their respective subsidiaries are liable under their respective credit facilities and which, in each case, accrue during such period;
- (b) plus all amounts payable during such period on account of principal pursuant to such credit facilities including, without limitation, scheduled, prepaid (voluntary

or mandatory) and accelerated principal and (subject to the provisos below) amounts required to be paid on account of banker's acceptances and letters of credit (other than fees described in (a) above);

- (c) plus (if there is a net loss) or minus (if there is a net profit) the net profit or loss from interest rate swaps which accrues during such period;

provided that the difference between the face amount of a banker's acceptance which is issued and accepted pursuant to such credit facilities and its discount proceeds (such difference being the "imputed interest") shall be treated as interest accruing at the times that it is considered to accrue in accordance with generally accepted accounting principles and provided that when the Trust, PrimeWest or their respective subsidiaries become liable under any credit facility to pay the face amount of a banker's acceptance, the face amount less the amount of imputed interest for such banker's acceptance shall be included in the Debt Service Costs;

"Discount Rate" means an annual rate equal to the then current annual yield of long-term (10 year) Government of Canada bonds plus 400 basis points, subject to a maximum Discount Rate of 15%; and

"Reserve Value" means the present worth of all of the estimated pre-tax net cash flow from the proved reserves and 50% of the estimated pre-tax net cash flow from the probable reserves shown in the most recent engineering report relating thereto, discounted at the Discounted Rate and using escalating price and cost assumptions."

D. SPECIAL VOTING UNIT RESOLUTION

BE IT RESOLVED THAT the Declaration of Trust be amended to provide for the creation of special voting units having the attributes described in the Management Proxy Circular of the Trust dated March 23, 2000 and that the Board of Directors be authorized and directed to settle the text of the amendment together with all consequential amendments required in respect thereof and in respect of an offering of shares of a subsidiary of the Trust or PrimeWest which are exchangeable into Trust Units and the approval by the Board of Directors of the text of such amendments shall be conclusive proof of the approval thereof by the Unitholders.

E. ROYALTY DISPOSITION OR AMENDMENT RESOLUTION

BE IT RESOLVED THAT the Trust be and is hereby authorized to sell or otherwise dispose of the Royalty to PrimeWest or cause the terms of the Royalty to be amended for the purpose of reorganizing the capital structure of PrimeWest, all in the manner and at the time to be determined by the Board of Directors and thereupon the Board of Directors shall make such consequential amendments to, and consents under, the Declaration of Trust, the Management Agreement and the Unanimous Shareholder Agreement as the Board of Directors deems advisable to effect the foregoing and to account for the termination or amendment of the Royalty and in respect of all such consents and amendments, including to the terms of the Royalty, in the event the Board of Directors elects only to amend the terms of the Royalty, the approval by the Board of Directors of such consents and amendments shall be conclusive proof of the approval thereof by the Unitholders.

F. RESPONSE RESOLUTION

BE IT RESOLVED THAT Section 8.1 of the Declaration of Trust be deleted and replaced with the following:

"8.1 Powers of the Trustee and PrimeWest

- (a) Subject to the terms and conditions of this Declaration of Trust and any contracts or obligations of the Trust or the Trustee, the Trustee may exercise from time to time in respect of the Trust Fund any and all rights, powers and privileges that could be exercised by a beneficial owner thereof, except as specifically designated in subsection (b) below.

- (b) PrimeWest may exercise from time to time any and all rights, powers and privileges in relation to all matters relating to the maximization of Unitholder value in the context of a response to an offer for Trust Units or for all or substantially all of the assets of the Trust or PrimeWest or any subsidiary of PrimeWest or the Trust (an "Offer") including (i) any Unitholder rights protection plan (or amendment or waiver thereof) either prior to or during the course of any Offer; (ii) any defensive action either prior to or during the course of any Offer; (iii) the preparation of any "Directors' Circular" in response to any Offer; (iv) consideration on behalf of Unitholders and recommendations to Unitholders in response to any Offer; (v) any regulatory or court action in respect of any related matters and (vi) the carriage of all related and ancillary matters; and PrimeWest accepts such responsibility and agrees that, in respect of such matters, it shall carry out its functions honestly, in good faith and in the best interests of the Trust and the Unitholders and, in connection therewith, shall exercise that degree of care, diligence and skill that a reasonably prudent Person would exercise in comparable circumstances. PrimeWest, may, and if directed by PrimeWest in writing, the Trustee shall, execute any agreements on behalf of the Trust as PrimeWest shall have authorized within the scope of the exercise of any such rights, powers or privileges."