

**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 Montreal Trust Company of Canada (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 (as amended) among PrimeWest, the Trustee and the Initial Unitholder (as defined therein). 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, 600, 530 - 8th Avenue S.W., Calgary, Alberta T2P 3S8, 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 2, 1999 (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 an 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. Currently, the Trust has 33,044,849 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

### Financial Statements

At the Meeting, the consolidated financial statements of the Trust for the year ended December 31, 1998 and the auditors' report thereon will be presented. These financial statements are included in the 1998 Annual Report of the Trust.

### Election of Directors

PrimeWest has a board of directors (the "Board of Directors") consisting of five members, three of whom are being nominated by the Trust pursuant to the terms of the PrimeWest Unanimous Shareholder Agreement and two of whom are being appointed by the Manager.

### *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 31, 1999, are as follows:

<b>Name and Present Director Principal Occupation or Employment</b>	<b>Director Since</b>	<b>of Municipality of Residence</b>	<b>Trust Units Owned or Control or Exercised at March 31, 1999</b>	<b>Beneficially over which Discretion is as</b>
Harold P. Milavsky Chairman Quantico Capital Corp.	1996	Calgary, Alberta	22,600	
Barry E. Emes Partner Stikeman, Elliott	1996	Calgary, Alberta	2,000	
Harold N. Kvisle President, Fletcher Challenge Energy Canada Inc.	1996	Calgary, Alberta	3,000	

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.

### ***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:

<b>Name and Present Principal Occupation or Employment</b>	<b>Director of PrimeWest Since</b>	<b>Municipality of Residence</b>	<b>Trust Units Beneficially Owned or over which Control or Discretion is Exercised as at March 31, 1999</b>
Kent J. MacIntyre Chief Executive Officer PrimeWest Energy Inc.	1996	Calgary, Alberta	128,809 <sup>(1)</sup>
D. Hugh Gillard President and Chief Operating Officer PrimeWest Energy Inc.	1999	Calgary, Alberta	nil

Note:

1. Of these Trust Units, Mr. MacIntyre beneficially owns 91,953.

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) and prior to March, 1994 was President and Chief Executive Officer of Olympia Energy Ventures Ltd. (1989 - June, 1993). Mr. Gillard was President and Chief Executive Officer of CanWest Gas Supply Inc. from 1994 to December 1998. Prior to 1994, Mr. Gillard was Vice-President, Gas Supply of CanWest Gas Supply Inc. (1990-1994).

### **Appointment of Auditors**

Unless it is specified in a proxy that the Unitholder withholds approval for the Trustee to cause the Manager to vote the Common Shares for the appointment of PricewaterhouseCoopers ("PWC") as auditors of PrimeWest and withholds approval for the voting on their appointment as auditors of the Trust, the persons named in the enclosed form of proxy intend to grant approval to the Trustee to cause the Manager to vote its Common Shares for the appointment of PWC as auditors of PrimeWest and to grant approval for PWC as auditor of 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 initiation of the Trust and have audited the consolidated comparative financial statements for the years ended December 31, 1998 and 1997 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.

### **Amendment of Declaration of Trust**

Pursuant to section 6.6 of the Declaration of Trust, the trustee Pursuant to section 6.6 of the Declaration of Trust, the trustee of the Trust (other than the initial trustee) must be a corporation

with shareholders' equity of at least \$100 million or have its obligations guaranteed by such a corporation. The Manager has determined that this requirement is unduly restrictive given the obligations of the trustee under the Declaration of Trust. The Manager has, accordingly, recommended that section 6.6 of the Declaration of Trust be amended to reduce the shareholders' equity requirement of a successor trustee to a level acceptable to the Board of Directors of PrimeWest. The text of the proposed amendment (the "Trustee Qualification Amendment") and the resolution approving the Trustee Qualification Amendment are set forth in Schedule "A" hereto.

Unitholders will be asked to consider, and if thought fit, to pass a Special Resolution approving the Trustee Qualification Amendment.

**In the absence of a contrary instruction, the persons named in the enclosed form of proxy intend to vote in favour of passing the resolution approving the Trustee Qualification Amendment.**

### **Appointment of Successor Trustee**

In accordance with the terms of the Declaration of Trust, the appointment of Montreal Trust Company of Canada as the initial trustee of the Trust expires at the conclusion of the third annual meeting of Unitholders. A decision to reappoint, or to appoint a successor to, Montreal Trust Company of Canada as trustee of the Trust is required to be made at the third annual meeting of Unitholders. The Manager has determined to recommend to Unitholders the appointment of The Trust Company of Bank of Montreal, as a successor to Montreal Trust Company of Canada, as trustee of the Trust.

Unitholders will be asked to consider, and if thought fit, to pass an Ordinary Resolution approving the appointment of The Trust Company of Bank of Montreal as the successor to Montreal Trust Company of Canada as the trustee of the Trust to hold office until the sixth annual meeting of Unitholders, with remuneration to be determined by the Manager and approved by the Board of Directors.

### **Confirmation Of Unitholder Rights Plan**

At the Meeting, Unitholders will be asked to consider and vote to confirm the Unitholder Rights Plan Agreement (the "Rights Plan") entered into between the Trust and The Trust Company of Bank of Montreal on March 31, 1999. Initially capitalized terms used below without express definition have the meanings ascribed thereto in the Rights Plan.

Under the Rights Plan, unit purchase rights ("Rights") were issued to holders of Trust Units of the Trust at the rate of one Right for each Trust Unit outstanding as at 11:59 p.m. (Calgary time) on March 31, 1999 (the "Record Time"). In addition, one Right will be issued with each new Trust Unit issued after the Record Time and prior to the earlier of the Separation Time and the redemption or expiration of the Rights. The Toronto Stock Exchange has accepted, pursuant to its applicable by-laws and rules, notice from the Trust of the Rights Plan, subject to Unitholder confirmation of the Rights Plan. The Rights Plan became effective on the Record Time and will continue in effect only if it is confirmed by special resolution of the holders of Trust Units of the Trust at this Meeting. The text of the resolution confirming the Rights Plan (the "Rights Plan Resolution") is set forth in Schedule "B" hereto. If not so confirmed, the Rights Plan will terminate and the Rights issued under it will be void.

### ***Recommendation of the Board of Directors of PrimeWest***

**The Board of Directors of PrimeWest (the "Board of Directors") has determined that the Rights Plan is in the best interests of the Trust and its Unitholders and recommends that Unitholders vote in favour of the Rights Plan Resolution.**

**In the absence of a contrary instruction, the persons named in the enclosed form of proxy intend to vote in favour of passing the Rights Plan Resolution.**

***Background to Adoption of the Rights Plan***

The experience of both the business and legal communities under Canadian securities laws demonstrates that such laws may not adequately protect Unitholders in the event that a bidder desires to obtain control of the Trust.

The objectives of the Rights Plan are to ensure that, in the event of a take-over bid or other control transaction for Trust Units of the Trust, all Unitholders will receive full and fair value for their units and will not be subject to abusive or coercive takeover strategies and that the Board of Directors, on behalf of the Trust and all of its Unitholders, will have the time and opportunity to evaluate the bid and its effects, to seek out alternative bidders and to explore, develop and evaluate other ways of maximizing Unitholder value. Under the Rights Plan, a bidder is encouraged either to make a Permitted Bid, without approval of the Board of Directors, having terms and conditions designed to meet the objectives, or, to negotiate the terms of a bid with the Board of Directors.

In considering whether to adopt the Rights Plan, the Board of Directors considered the current legislative framework in Canada governing take-over bids, developments in the terms of Unitholder rights plans over the last number of years and the actual experiences in hostile take-over bids in Canada which have taken place over the last year for target Trusts having Unitholder rights plans. The Rights Plan was not adopted by the Trust in response to, or in anticipation of, any acquisition proposal, and is not intended to prevent a take-over bid being made for the Trust or to secure continuance of management or the directors in office.

The Board of Directors has concluded that existing securities laws in Canada do not adequately protect the rights of Unitholders during take-over bids.

***Operation of the Rights Plan Overview***

In general terms, if a person (an "Acquiring Person") acquires twenty percent (20%) or more of the Trust Units of the Trust other than by way of a Permitted Bid, a Competing Bid (each as discussed below) or a transaction otherwise approved by the Board of Directors, holders of Rights other than the Acquiring Person may acquire Trust Units of the Trust at a significant discount to the then prevailing market prices. Accordingly, in such a case, the Rights will cause substantial dilution to an Acquiring Person who becomes an Acquiring Person other than through a Permitted Bid, a Competing Bid or on terms approved by the Board of Directors. The Rights Plan, through its dilutive aspects, is intended to discourage a potential acquiror from undertaking "creeping acquisitions" or buying a large block of shares from a select group of Unitholders through "private agreement transactions". Because of the Permitted Bid and Competing Bid feature of the Rights Plan, a bidder does not have to negotiate with the Board of Directors, but is entitled to have the Unitholders determine whether to accept the bidder's offer.

The adoption of the Rights Plan does not detract in any way from or lessen the duties imposed upon the Board of Directors at law to act honestly and in good faith with a view to the best interests of the Trust and its Unitholders in considering any Take-over Bid made for the Trust Units. The Rights Plan states that nothing contained therein shall be construed to suggest or imply that the Board of Directors shall not be entitled to recommend that holders of Trust Units reject or accept any Take-over Bid or take any other action with respect to any Take-over Bid or otherwise that the Board of Directors believes is necessary or appropriate in the exercise of its fiduciary duties.

The Rights Plan will also not prevent any Unitholder from utilizing the proxy mechanism set out in the Declaration of Trust to propose a change in the terms of the Trust, including the right to

submit to the Trust a proposal to be included in the information circular and the right of holders of not less than twenty per cent of the Trust Units of the Trust to requisition the trustee of the Trust to call a meeting of Unitholders for the purposes stated in the requisition.

Issuance of the Rights will not alter in any way the financial condition of the Trust and will not interfere with the day-to-day operations of the Trust or its business plans. The issuance of the Rights is not dilutive and will not affect the Trust's distributions per unit nor will it change the way in which Unitholders currently trade Trust Units.

### ***Terms of the Rights Plan***

The following is a summary of the terms of the Rights Plan, which is qualified in its entirety by reference to the text of such agreement.

#### *Trading of Rights*

Rights issued prior to the Separation Time will be evidenced, with respect to any Trust Unit certificate outstanding as of the Record Time, by such Trust Unit certificate. The Rights Plan provides that, until the Separation Time, the Rights will be transferable only together with, and will be transferred by, a transfer of the associated Trust Units. Until the Separation Time or earlier redemption or expiration of the Rights, new share certificates issued after the Record Time upon the transfer of existing Trust Units or the issuance of additional Trust Units will contain a legend incorporating the Rights Plan by reference.

#### *Separation Time*

The Rights will separate and trade separately from the Trust Units after the Separation Time. Following the Separation Time, separate certificates evidencing the Rights ("Rights Certificates") will be mailed to holders of record of Trust Units as of the close of business on the Separation Time, and each separate Rights Certificate alone will evidence the Rights.

The "Separation Time" is the close of business on the tenth trading day following the earlier of (i) the date (the "Trust Unit Acquisition Date") of the first public announcement made by the Trust or an Acquiring Person that a person has become an Acquiring Person, and (ii) the date of the commencement of, or first public announcement of the intent of any person (other than the Trust or any subsidiary of the Trust), to commence a Take-over Bid (other than a Permitted Bid or Competing Bid).

If any Take-over Bid triggering the Separation Time expires or is cancelled, terminated or otherwise withdrawn prior to the Separation Time or if the Board of Directors determines to waive application of the Rights Plan to any such Take-over Bid, then such bid shall be deemed, for the purposes of determining the Separation Time, never to have been made.

#### *Exercise Price of Rights*

After the Separation Time and prior to the occurrence of a Flip-in Event, each Right entitles the registered holder to purchase from the Trust one Trust Unit at an Exercise Price of \$100.00 per Trust Unit, subject to certain antidilution adjustments as set out in the Rights Plan and summarized below under "Protection Against Dilution".

#### *Protection Against Dilution*

The Exercise Price, the number and nature of securities which may be purchased upon the exercise of the Rights and the number of Rights outstanding are subject to adjustment from time to time to prevent dilution upon certain changes to the share capital of the Trust. Under the Rights Plan, anti-dilution adjustment provisions are applicable (i) in the event of a Trust Unit distribution

on, or a subdivision, combination or reclassification of, the Trust Units, (ii) upon the grant to holders of Trust Units of certain rights, options or warrants to subscribe for Trust Units or convertible securities, or (iii) upon distribution to holders of Trust Units of evidence of indebtedness, cash (excluding regular periodic cash distributions or a regular periodic cash distributions paid in Trust Units), assets, or rights or warrants (other than those referred to in clause (ii) above). The adjustment provisions are designed to ensure that the number of Trust Units which may be purchased upon the exercise of Rights and payment of the Exercise Price remains proportionally constant and are not subject to any dilution which may result from changes to the share capital of the Trust.

#### *Flip-in Event*

A "Flip-in Event" is triggered in the event that a transaction occurs pursuant to which a person becomes an Acquiring Person. Upon the occurrence of a Flip-in Event, the Trust must take such action as shall be necessary to ensure that each Right (except for Rights Beneficially Owned by the persons specified below) shall thereafter constitute the right to purchase from the Trust upon exercise thereof in accordance with the terms of the Rights Plan that number of Trust Units of the Trust having an aggregate Market Price on the date of the consummation or occurrence of such Flip-in Event equal to twice the Exercise Price, for an amount in cash equal to the Exercise Price. By way of example, if at the time of such announcement the Exercise Price is \$100.00 and the Trust Units have a Market Price of \$6.25 per Trust Unit, the holder of each Right would be entitled to purchase that number of Trust Units that have in the aggregate a Market Price of \$200.00 (i.e. 32 Trust Units) for a price of \$100.00, that is, at a fifty percent (50%) discount.

The Rights Plan provides that Rights that are Beneficially Owned by (i) an Acquiring Person or any Affiliate or Associate of an Acquiring Person, or, any Person acting jointly or in concert with an Acquiring Person or any Affiliate or Associate of such Acquiring Person, or, any Affiliate or Associate of such Person so acting jointly or in concert, or (ii) a transferee or other successor in title of Rights of an Acquiring Person (or an Affiliate or Associate of an Acquiring Person) or of any person acting jointly or in concert with an Acquiring Person or any Associate or Affiliate of an Acquiring Person who becomes a transferee or successor in title concurrently with or subsequent to the Acquiring Person becoming such, shall become null and void without any further action and any holder of such Rights (including transferees or successors in title) shall not have any rights whatsoever to exercise such Rights under any provision of the Rights Plan.

#### *Acquiring Person*

An Acquiring Person is a person who Beneficially Owns twenty percent (20%) or more of the Trust Units of the Trust.

An Acquiring Person does not, however, include the Trust or any Subsidiary of the Trust or any person who becomes the Beneficial Owner of twenty percent (20%) or more of the outstanding Trust Units of the Trust as a result of certain exempt transactions. Exempt transactions include (i) specified Trust acquisitions, (ii) acquisitions pursuant to a Permitted Bid or Competing Bid, (iii) specified Trust distributions, (iv) convertible security acquisitions, and (v) certain other specified exempt acquisitions (including acquisitions of up to or greater than twenty percent (20%) of the outstanding Trust Units of the Trust made on or prior to the Record Time; provided, however, that such a person becomes an Acquiring Person upon becoming the Beneficial Owner of an additional one percent (1 %) of the currently outstanding Trust Units of the Trust (other than pursuant to an exempt transaction)).

#### *Permitted Bids and Competing Bids*

A "Permitted Bid" is a Take-over Bid made by take-over bid circular in compliance with the following additional provisions:

1. the bid must be made to all holders of record of Trust Units;
2. the bid must be open for a minimum of 45 days following the date of the bid and no Trust Units may be taken up prior to such time;
3. take-up and payment for Trust Units may not occur unless the bid is accepted by persons holding more than fifty percent (50%) of the outstanding Trust Units exclusive of units held by the person responsible for triggering the Flip-in Event or any person who has announced an intention to make, or who has made, a Take-over Bid for the Trust Units of the Trust and the respective Affiliates and Associates of such persons and persons acting jointly or in concert with such persons;
4. Trust Units may be deposited into or withdrawn from the bid at any time prior to the take-up date; and
5. if the bid is accepted by the requisite percentage specified in (3) above, the bidder must extend the bid for a period of 10 Business Days to allow other Unitholders to tender into the bid should they so wish and must make a public announcement to such effect.

A "Competing Bid" is a Take-over Bid that satisfies all the criteria of a Permitted Bid except that since it is made after a Permitted Bid has been made, the minimum deposit period and the time period for the take-up of and payment for Trust Units tendered under a Competing Bid is not 45 days, but is instead the greater of 21 days and the earliest date for take-up and payment of Trust Units under any other Permitted Bid then in existence.

Neither a Permitted Bid nor a Competing Bid need be approved by the Board of Directors and may be taken directly to the Unitholders of the Trust. Acquisitions of Trust Units made pursuant to a Permitted Bid or a Competing Bid do not give rise to a Flip-in-Event.

#### *Partial Bids*

Like most current generation rights plans, the Rights Plan has a two-step tender process under which a bid must be extended for 10 days after all of the conditions have been met in order to allow Unitholders who have not tendered on the first expiry date to tender once it appears the bid will succeed. This two-step process was implemented in order to alleviate the coercive nature of take-over bids. However, in the case of partial bids, this two-step process may require a bidder who intends to make a permitted partial bid to apply for exemptive relief from certain provisions of applicable Canadian securities laws.

#### *Permitted Lock-Up Agreements*

Many older rights plans are triggered by "lock-up" agreements. This would have the effect of making it more difficult for a potential bidder because it could not assure itself of any support for its offer before a take-over bid is made. It is possible that a prohibition against lock-ups would deter a potential bidder from attempting a take-over.

The Rights Plan does not prohibit lock-up agreements entirely but requires that they provide that the selling Unitholder be permitted to tender into a "clearly" better offer or other competing transaction (i.e. one that meets the threshold tests in the Rights Plan).

To be a permitted lock-up agreement, the agreement must allow the signing Unitholders to withdraw its Trust Units and to deposit or tender into a competing bid or in support of a competing transaction if the price for that bid or value under that competing transaction is at least 5% higher or, if the original bid is a partial bid, the bid price or competing transaction value is at least as high as the original bid, but the bid or competing transaction is for at least 5% more Trust Units than the original bid. In addition, the Rights Plan provides that a permitted lock-up agreement cannot provide for a break-up fee in excess of 2.5 % of the value of the bid.

### *Redemption and Waiver*

The Board of Directors may, at its option, at any time prior to the occurrence of a Flip-in Event, elect to redeem all but not less than all of the Rights at a redemption price of \$0.00001 per Right (the "Redemption Price"), appropriately adjusted in the event that an event analogous to those described above under "Protection Against Dilution" shall have occurred. Rights will be deemed to automatically be redeemed at the Redemption Price where a person acquires Trust Units (other than the Offeror's Securities) pursuant to a Permitted Bid, a Competing Bid or an Exempt Acquisition. If the Board of Directors elects or is deemed to have elected to redeem the rights, the right to exercise the Rights will terminate and each Right will after redemption be null and void and the only right thereafter of the holders of Rights shall be to receive the Redemption Price.

Under the Rights Plan, the Board of Directors has the discretion to waive the application of the Rights Plan to a Take-over Bid made by way of Take-over Bid circular to all holders of Trust Units of the Trust; provided that the application of the Rights Plan will then be automatically waived for every other Take-over Bid made by way of Take-over Bid circular to all holders of Trust Units of the Trust.

The Board of Directors of the Trust may also, prior to the close of business on the tenth day after a Trust Unit Acquisition Date, waive or agree to waive the application of the Rights Plan to an inadvertent Flip-in Event, provided that: (i) the Board of Directors determines that the person became an Acquiring Person by inadvertence and without any intention to become, or knowledge that it would become, an Acquiring Person; and (ii) such acquiring Person has reduced its Beneficial Ownership of Trust Units such that at the time of the granting of a waiver such person is no longer an Acquiring Person or has entered into an agreement with the Trust to do so within 30 days.

### *Amendments to the Rights Plan*

The Rights Plan provides that prior to ratification by Unitholders, the Board of Directors may in its sole discretion supplement or amend the Rights Plan. Once the Rights Plan has been ratified by the Unitholders, however, any amendments or supplements to its terms will normally require Unitholder approval. All changes to the provisions of the Rights Plan relating to the Rights Agent require the written concurrence of the Rights Agent.

### *Term*

The term of the Rights Plan ends on the date of the Trust's Annual Meeting of Unitholders in the year 2002, at which time the Rights expire unless they are terminated, redeemed or exchanged earlier by the Board of Directors.

## **EXECUTIVE COMPENSATION**

PrimeWest's officers received no direct compensation from PrimeWest in 1998. However, all officers of PrimeWest are also officers of the Manager and were compensated by the Manager. Pursuant to the PrimeWest Management Agreement, 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 Agreement 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.

The Manager's policy with respect to the compensation of its executive officers is to provide base salaries which when combined with both short and long term incentives are approximately equal to the 50th percentile of compensation paid to executive officers of Canadian oil and gas companies of a similar size and market capitalization and with a similar performance to that 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 a 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.

### **Compensation of the Chief Executive**

Mr. MacIntyre, the chief executive officer of the Manager, is paid an annual base salary of \$275,000. Mr. MacIntyre is also entitled to participate in the Employee Group RRSP, the Short Term Incentive Plan and the Trust Unit Incentive Plan. Mr. MacIntyre became an employee of the Manager effective April 1, 1997. Prior to that date, Mr. MacIntyre provided contract services to the Manager at a rate equivalent to his annual base salary entitlement plus benefits under the

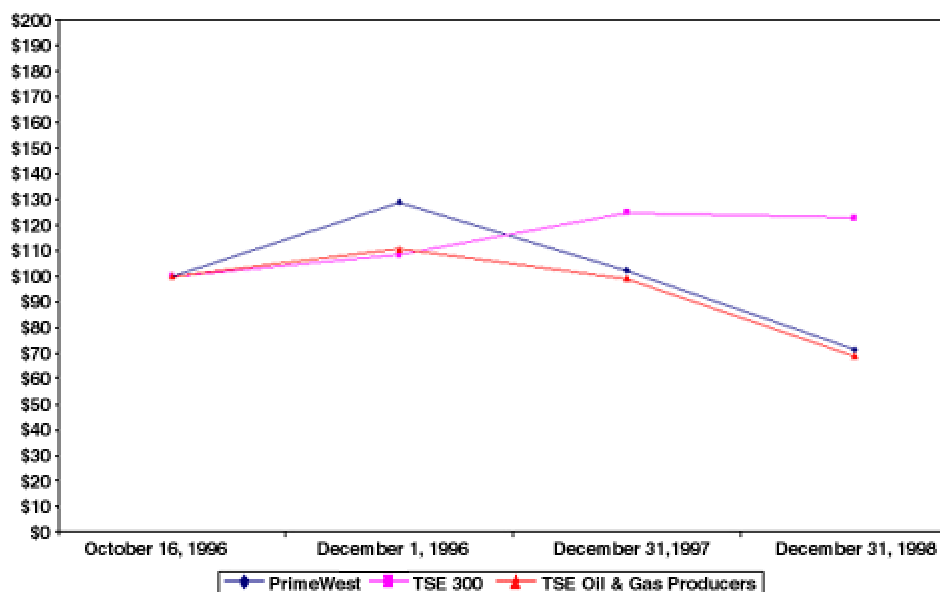
Employee Group RRSP and benefits plan. Under the Short Term Incentive Plan, Mr. MacIntyre is entitled to an annual cash bonus determined in accordance with the plan of up to \$137,500 (50% of his base salary for the period from January 1, 1998 to December 31, 1998). In accordance with the Trust Unit Incentive Plan and as a long term incentive, Mr. MacIntyre was awarded 254,630 Unit Appreciation Rights for the period October 16, 1998 to October 15, 1999.

### Performance Graph

The following graph compares the change in the cumulative total unitholder return over the year ended December 31, 1998 of a \$100 investment in the Trust Units 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 1, 1996	December 31, 1997	December 31, 1998
PrimeWest	\$100	\$129.00	\$102.23	\$71.18
TSE 300	100	108.62	124.89	122.92
TSE Oil & Gas Producers	100	110.83	99.24	69.06

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



### 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, 1998. Aspects of this compensation are dealt with in the following tables.

Name and Principal Position	Year <sup>(1)</sup>	Annual Compensation			Long-Term Compensation			
		Salary (\$) <sup>(2)(5)</sup>	Other Compensation (\$) <sup>(3)(4)(5)</sup>	Annual Compensation	Awards		All Compensation (\$)	Other Compensation (\$)
					Unit Appreciation Rights (#) <sup>(6)</sup>	Granted		
Kent J. MacIntyre Chief Executive Officer	1998	275,000	-		254,630	-	-	-
	1997	195,000	88,039		142,077	-	-	-
	1996	-	59,583		390,000	-	-	-
Allan F. Kiernan Vice President, Production	1998	168,000	-		77,778	-	-	-
	1997	140,000	38,966		45,902	-	-	-
	1996	-	67,200		126,000	-	-	-
Jacob Roorda Vice President, Corporate	1998	129,621	20,500		71,065	-	-	-
	1997	108,750	55,593		39,617	-	-	-
	1996	-	33,229		108,750	-	-	-
Ronald Ambrozy Vice President, Development Corporate	1998	130,000	-		61,905	-	-	-
	1997	28,167	1,925		103,723	-	15,000	-
	1996	-	-		-	-	-	-
Susan M. Duncan Vice President, Finance	1998	125,000	39,000		57,870	-	-	-
	1997	114,583	18,386		34,153	-	-	-
	1996	-	36,300		93,750	-	-	-

Notes:

1. 1996 compensation relates to the period from October 16, 1996 in respect of Mr. MacIntyre and Mr. Roorda, from August 26, 1996 in respect of Mr. Kiernan and from August 12, 1996 in respect of Ms. Duncan, in each case to December 31, 1996.
2. Mr. MacIntyre, Mr. Kiernan, Mr. Roorda and Ms. Duncan provided services to PrimeWest during 1996 on a contract basis. Effective February 1, 1997 Mr. Kiernan and Ms. Duncan and effective April 1, 1997 Mr. Roorda and Mr. MacIntyre became employees of the Manager at annual salaries of \$168,000, \$125,000, \$145,000 and \$260,000, respectively. Mr. Ambrozy became an employee of the Manager on October 13, 1997 at an annual salary of \$130,000. Effective November 20, 1998 Mr. Roorda resigned as Vice President, Corporate.
3. Pursuant to terms of the purchase and sale agreement in respect of the initial properties acquired by PrimeWest, PrimeWest was reimbursed portions of the amounts paid to Mr. Kiernan and Ms. Duncan in 1996 by the vendor of such properties. The amounts reimbursed to PrimeWest in respect of Mr. Kiernan and Ms. Duncan were \$35,200 and \$19,250, respectively.
4. These amounts include amounts paid as compensation for contract services provided by these persons to PrimeWest prior to the date on which each became an employee of the Manager, in the case of Mr. MacIntyre, Mr. Kiernan and Mr. Roorda, to companies with which they were associated, and in the case of Ms. Duncan, directly to Ms. Duncan. 1997 amounts also include benefits paid to the employee such as the Group RRSP and other taxable amounts.
5. Mr. Roorda resigned from the Manager, as Vice-President, Corporate effective November 20, 1998. From the period November 21, 1998 to December 31, 1998, contract services provided to PrimeWest by Mr. Roorda were paid to a company with which Mr. Roorda is associated.
6. Unit Appreciation Rights (as defined below) have been granted to Mr. MacIntyre, Mr. Kiernan, Mr. Roorda and Ms. Duncan effective as of October 16, 1996 and to

Mr. Ambrozy effective as of October 13, 1997. See "Executive Compensation - Unit Appreciation Rights".

7. Mr. MacIntyre, Mr. Roorda and Ms. Duncan are indirect shareholders of the Manager and accordingly receive an indirect benefit through amounts paid to the Manager. See "Interest of Insiders in Material Transactions and Management Contracts".

### Unit Appreciation Rights

Except as set out below, no options or other Trust Unit rights have been granted to any officer or director 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 named executive officers of PrimeWest have been issued Unit Appreciation Rights under the Trust Unit Incentive Plan effective October 16, 1996, the date of the closing of the Trust's initial public offering. 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, 1998.

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	254,630	26.7%	\$5.40	\$5.40	October 15, 2004
Allan F. Kiernan	77,778	8.2%	\$5.40	\$5.40	October 15, 2004
Jacob Roorda	71,065	7.4%	\$5.40	\$5.40	October 15, 2004
Ronald Ambrozy	61,905	6.5%	\$5.25	\$5.25	October 12, 2004
Susan M. Duncan	57,870	6.1%	\$5.40	\$5.40	October 15, 2004

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, 1998 together with the number and value of unexercised Unit Appreciation Rights held by each of the named executive officers as at December 31, 1998.

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 <sup>(2)</sup>	
			Vested	Unvested <sup>(1)</sup>	Vested	Unvested <sup>(1)</sup>
Kent J. MacIntyre	-	-	307,359	479,348	-	-
Allan F. Kiernan	-	-	99,301	150,379	-	-
Jacob Roorda	-	-	85,706	133,726	-	-

Ronald Ambrozy	-	-	35,519	132,943	-	-
Susan M. Duncan	-	-	73,884	111,889	-	-

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.
2. Calculated on the basis of the difference between the December 31, 1998 closing price of the Trust Units on The Toronto Stock Exchange and the base price of the Trust Units underlying the Unit Appreciation Rights.

**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 59,448 Unit Appreciation Rights under the Trust Unit Incentive Plan. 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**

Montreal Trust Company of Canada 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. Pursuant to the terms of the Royalty, 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 by PrimeWest and to managing the Trust. Pursuant to the provisions of the PrimeWest Management Agreement, the Manager provides management services to PrimeWest and the Trust. 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 indirectly beneficially owned by certain officers of the Manager and their family members. 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 Agreement, 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 in the PrimeWest Management Agreement) plus Alberta royalty tax credit, if any, less Crown royalties and other Crown charges attributable to the properties of PrimeWest; and (b) quarterly incentive payments. The quarterly incentive payments for the year ended December 31, 1998 amounted to 66,247 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. The Manager is not permitted to sell any Trust Units received as incentive payments for a period of three years after October 16, 1996, the date of closing of the initial public offering of the Trust. Thereafter, any sales of any of those Trust Units will be subject to applicable laws and regulations.

### **Acquisition and Disposition Fees**

The Manager is paid an acquisition fee equal to 1.5% of the purchase price of any properties acquired by PrimeWest. In the event that PrimeWest disposes of any properties, the Manager receives a disposition fee equal to 1.25% of the sale price of the properties sold. In the case of property 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 properties being disposed of exceeds the value of the properties being acquired. During the year ended December 31, 1998, an aggregate of \$1,116,640 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**

Pursuant to the PrimeWest Royalty Agreement, the Trust has been granted a royalty equal to 99% of the net profits from the properties of PrimeWest. The remaining 1% of such net profits remain with PrimeWest, all of the Common Shares of which are held by the Manager. Pursuant to the PrimeWest Unanimous Shareholder Agreement, the Manager is entitled to receive dividends equal to such amount payable quarterly.

### **Total Compensation for the Year Ended December 31, 1998**

In total, the Manager received \$2,708,063, inclusive of the 1% residual royalty dividend of \$297,000 and the 66,247 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 PrimeWest Management Agreement during the year ended December 31, 1998. 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 Toronto Stock Exchange Committee on Corporate Governance in Canada has issued a series of proposed guidelines (the "TSE Guidelines") for effective corporate governance. The TSE Guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of board members.

The Trustee as well as PrimeWest's 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 have addressed the TSE Guidelines 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 PrimeWest's 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 PrimeWest 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 PrimeWest 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.

As a result of the PrimeWest Unanimous Shareholder Agreement and the Declaration of Trust, the TSE Guidelines requiring (i) that boards consider a reduction in their size, and (ii) that a committee be made responsible for the appointment and assessment of directors and committees of the board, are inapplicable to PrimeWest. As well, 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**

PrimeWest's Board of Directors has an Audit Committee, which is made up of the Independent Directors, all of which are outside directors as required by the TSE guidelines. The Independent Directors also act as the Compensation Committee of PrimeWest. PrimeWest believes that the size of its 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, such as the consideration of corporate governance issues. PrimeWest therefore does not have a committee specifically responsible for corporate governance issues. The Board 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, PrimeWest's 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 Agreement dictates 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. PrimeWest's 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 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: April 2, 1999

**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"**  
**SPECIAL RESOLUTION OF THE UNITHOLDERS OF**  
**PRIMEWEST ENERGY TRUST**

**Re: Trustee Qualification Amendment**

WHEREAS the Manager has proposed that section 6.6 of the Declaration of Trust be amended by inserting the words "or such other amount as the Board of Directors of the Corporation shall approve" immediately following the words "\$100 million" in the ninth line thereof (the "Trustee Qualification Amendment").

**RESOLVED as a special resolution that:**

1. The Trustee Qualification Amendment be and the same is hereby ratified, confirmed and approved.
2. The Trustee and PrimeWest Energy Inc. are hereby authorized to cause the Declaration of Trust to be amended by the Trustee Qualification Amendment and to cause all such further agreements to be entered into and executed as they may consider necessary or desirable to give effect to and fully carry out the intent of the foregoing resolution.

**SCHEDULE "B"**  
**SPECIAL RESOLUTION OF THE UNITHOLDERS OF**  
**PRIMEWEST ENERGY TRUST**

**Re: Approval of Unitholder Rights Plan**

WHEREAS the Trust desires to adopt a unitholder rights plan in order to ensure that Unitholders will be treated fairly in the event an offer to acquire the Trust Units of the Trust is made;

AND WHEREAS the board of directors of PrimeWest Energy Inc. ("PrimeWest") adopted a unitholder rights plan (the "Rights Plan") as evidenced by a Unitholder Rights Plan Agreement (the "Agreement") dated March 31, 1999 between the Trust, by its manager PrimeWest Management Inc., and The Trust Company of Bank of Montreal, subject to regulatory approval and Unitholder confirmation.

**RESOLVED as a special resolution that:**

1. The Rights Plan evidenced by the Agreement made, subject to receipt of Unitholder confirmation and regulatory approval, as of March 31, 1999 between the Trust, by its manager PrimeWest Management Inc., and The Trust Company of Bank of Montreal, substantially as described in the Trust's Management Proxy
2. Circular dated April 2, 1999 be and the same is hereby ratified, confirmed and approved.
3. The Trustee, PrimeWest Management Inc. and the board of directors of PrimeWest are hereby authorized to cause all such further agreements to be entered into and such further documents to be executed as they may consider necessary or desirable to give effect to and fully carry out the intent of the foregoing resolution.