Defining Value

PrimeWest (*prim'west*) *n.*: One of North America's largest conventional oil and gas royalty trusts, positioned to deliver value to unitholders because of its: **1.** natural gas weighting **2.** acquisition and development strategy **3.** low cost operations **4.** monthly distributions and active financial management **5.** access to capital and **6.** caring approach.

PrimeWest Energy Trust

Report to our Unitholders

2002

PrimeWest Energy Trust is a conventional oil and gas royalty trust actively managed to generate monthly cash distributions for unitholders. The Trust is primarily focused on the Western Canadian Sedimentary Basin and is a producer of 34,500 – 35,500 BOE per day. With an enterprise value of approximately $1.4 billion, PrimeWest is one of North America's largest energy trusts.

PrimeWest Trust Units trade on the Toronto Stock Exchange under the symbol "PWI.UN" and on the New York Stock Exchange under the ticker "PWI".

Our Vision

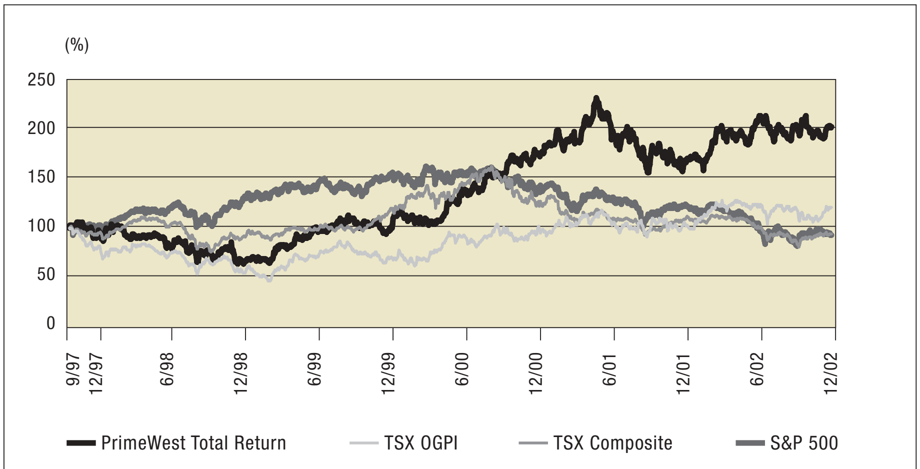
To be recognized by our investors and employees as the best oil and gas royalty trust, as measured by being the investment and employer of choice within the oil and gas royalty trust sector, by being a leader in the industry, and by maintaining a positive corporate culture and image.

This book is the first in a two part set constituting the 2002 annual report for PrimeWest. Adopting this two book approach saves money on printing and design, while increasing PrimeWest's flexibility for using this annual report to tell our story.

The following discussion, as well as other sections within this annual report, contain forward-looking or outlook information with respect to PrimeWest. Because forward-looking information addresses future events and conditions, it involves risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking or outlook information. These risks and uncertainties include: commodity price levels; production levels; the recoverability of reserves; transportation availability and costs; operating, capital and other costs; interest rates and currency-exchange rates; and changes in environmental, tax and other legislation and regulations. The nature of these risks are discussed in greater detail in book two, "Defining Results".

An Investment of Choice

PrimeWest delivers total return to unitholders through monthly distributions and unit value.



Total Return Comparison

TOTAL RETURN[1]

	5 Year	3 Year	1 Year
PrimeWest	14.6%	23.6%	19.5%
TSX Oil and Gas Producers Index (OGPI)	8.4%	20.7%	16.2%
TSX Composite	1.3%	-6.3%	-12.4%
S&P 500	1.4%	-12.1%	-22.9%

[1] Distributions reinvested plus change in unit price

The focus for all of our activities at PrimeWest is to deliver value for our unitholders as measured by total return. Sustaining distributions at 40 cents per unit per month throughout 2002 while preserving the unit value delivered a 19.5% total return for 2002.

Message to Unitholders

Message to Unitholders

Our results in 2002 were defined by establishing then delivering on clear performance targets. We met most key performance objectives in 2002, including:

Objective	Actual
Production volume target of 29,000 – 30,000 BOE/day	Averaged 30,189 BOE/day
Stabilize distributions	$0.40 per unit per month throughout 2002
Strong financial position	Debt to cash flow 1.32 times at year end
Reduce per BOE operating expenses	2.1% increase, but continue as low cost operator among seven largest Canadian oil and gas royalty trusts
Moderate decline through capital development	Added 8.7 million barrels of established reserves at $7.27 per BOE

Natural Gas Weighting

Natural gas will represent 68% of production

And finally, we delivered total return to unitholders of 19.5%

But, we went even further than that.

We strengthened PrimeWest's position as the most gas weighted among North America's largest oil and gas royalty trusts with natural gas comprising 62% of 2002 production and 68% of 2003 planned production.

We also increased our reserves, by over 20%, with two acquisitions initiated in late 2002, while continuing to control costs and improve the quality of our assets.

We realized $28.1 million in hedging gains, thereby providing support for sustaining distributions at $0.40 per month.

We took several important steps to deliver on our commitment to improve significantly our corporate governance practices and investor awareness of PrimeWest. We internalized management, thereby eliminating management fees and increasing the future cash flow that will be available for distribution to unitholders. We announced plans to appoint two additional independent directors, then welcomed Glen Russell to the Board as an independent director in January 2003.

Access to Capital

Listed on New York Stock Exchange; simplified tax structure for U.S. investors

We listed on the New York Stock Exchange (NYSE) after consolidating our Trust Units on a four to one basis.

We announced a substantial acquisition in the fourth quarter of 2002 that took effect on January 1, 2003. This added 6,800 BOE per day of production to our Caroline and Peace River Arch core operating areas, 83% of which is natural gas. We also acquired the right to significant, low-cost development potential in these two areas through farm-ins and area-of-mutual-interest arrangements.

We delivered 8.7 million barrels of additions to established reserves from our $63.1 million development program for 2002. We have committed $70 – $100 million to capital development in 2003, primarily focused on natural gas.

Acquisition and Development Strategy

Announced $250 million of acquisitions primarily in core areas; Development added 8.7 million BOE of established reserves

In 2002, we also maintained our position as a low cost operator among the seven largest conventional oil and gas royalty trusts.

PrimeWest operates in an environment where production volumes and natural gas, and to a lesser extent, crude oil, prices are the key drivers behind cash flow and distributions. We can influence production volumes by making value added acquisitions, undertaking low-cost development and being astute operators.

We cannot control commodity prices. However, we can mitigate the effect of commodity price volatility by hedging. Over the last two years, hedging has resulted in $68 million, or $2.36 per trust unit, of gains.

Low Cost Operations

A low cost operator among seven largest conventional oil and gas royalty trusts

For 2003, we see continued strength in natural gas prices. Supply and demand fundamentals have delivered strong pricing for natural gas in the first quarter of 2003 and forward curve pricing indicates continued strong market fundamentals.

We congratulate all of our employees and partners for their performance in 2002. It is through their efforts that PrimeWest delivered a 19.5% total return to our unitholders in 2002.

Since the Trust began in October 1996 through to December 31, 2002, we have delivered:

¶ cumulative distributions of $35.92 or 90% of the initial public offering price of $40.00 (post-consolidation);

¶ an average annual total return of approximately 14%; and

¶ a total unitholder return of 101% with reinvestment, outperforming the S&P/TSX Composite Index at 33% and the Oil and Gas Producers Index at 49%.

Message to Unitholders

Monthly Distributions and Active Financial Management

Use hedging to reduce distribution volatility and protect transaction economics; Stabilized distributions at $0.40 per unit per month throughout 2002

Caring Approach

PrimeWest demonstrates support for the communities in which it operates

Today, we offer many attractive attributes:

¶ leverage to natural gas pricing;

¶ $0.40 per unit per month distribution;

¶ no management fees;

¶ low operating costs;

¶ commodity price protection;

¶ a strong balance sheet;

¶ active trading on both the Toronto Stock Exchange and NYSE;

¶ a simplified tax structure for U.S. investors; and

¶ strong corporate governance.

In 2002, our commitment to the community was demonstrated by a 57% increase in United Way contributions by employees, and raising over $40,000 for cancer research. The McMan Foundation, Alberta Adolescent Recovery Centre, University of Calgary and the Calgary Zoo, among others, also received financial support from PrimeWest in 2002.

We want to thank Kent MacIntyre, who retired as Chief Executive Officer in January 2003, and who will remain as a member of the Board. Kent founded PrimeWest in 1996 with a $250 million Initial Public Offering. Under Kent's leadership, PrimeWest has grown to an enterprise value of $1.4 billion today.

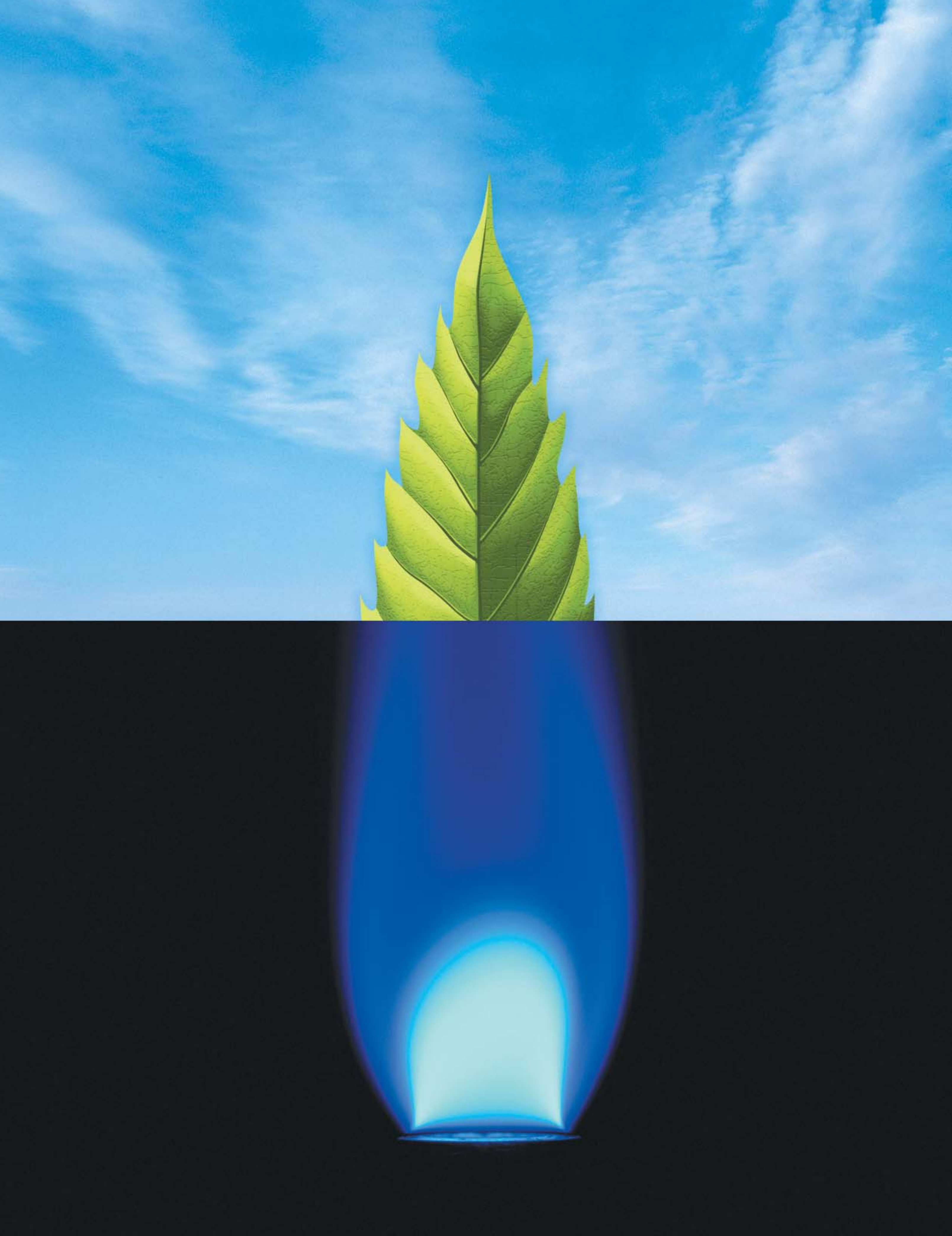
Our objectives for 2003 are clear. Among them, we will pursue value-added acquisitions, average 34,500 – 35,500 BOE/day of production and maintain a conservative balance sheet. We will also strive to reduce volatility of distributions by controlling costs and utilizing hedging.

Our challenge is to continue to build value for PrimeWest unitholders. We believe we are well positioned to do so successfully.

Thank you for your continued support.

Harold P. Milavsky
Chairman
February 20, 2003

Donald A. Garner
President and Chief Executive Officer



PrimeWest *(prim'west) n.*: one of North America's largest conventional oil and gas royalty trusts, positioned to deliver value to unitholders because of its: **1.** natural gas weighting **2.** acquisition and development strategy **3.** low cost operations **4.** monthly distributions and active financial management **5.** access to capital and **6.** caring approach.

1 Natural gas weighting

Many energy sector analysts believe that 2003 could be one of the strongest years on record for North American natural gas prices. And with the challenge of shrinking supply, they expect the sector will be able to sustain strong pricing well beyond 2003. PrimeWest agrees with their assessment.

We have pursued a strategy of weighting our reserves and our production towards natural gas. In 2003, natural gas is expected to represent 68% of our production.

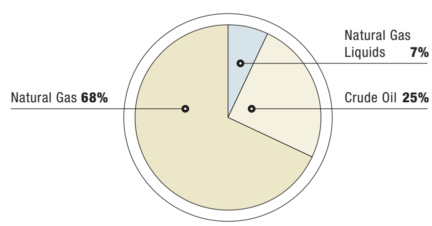
Why is natural gas so attractive and well-priced ? Consider these facts:

¶ natural gas is the environmentally friendly fossil fuel of choice. It is the cleanest burning of all fossil fuels. Natural gas is also very versatile, and in North America is now the leading source of heat for homes and businesses and is being used increasingly to generate electricity;

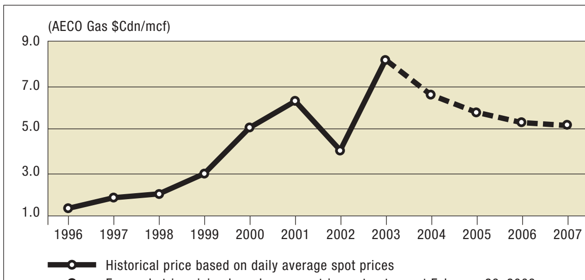
¶ the cost of finding new sources of supply is increasing. The challenge of sustaining production from traditional low cost reserves is substantial. In 2002, Canadian natural gas sales to the U.S. market fell for the first time in 16 years; and

¶ pricing in the futures market continues to reflect these supply constrained fundamentals for natural gas.

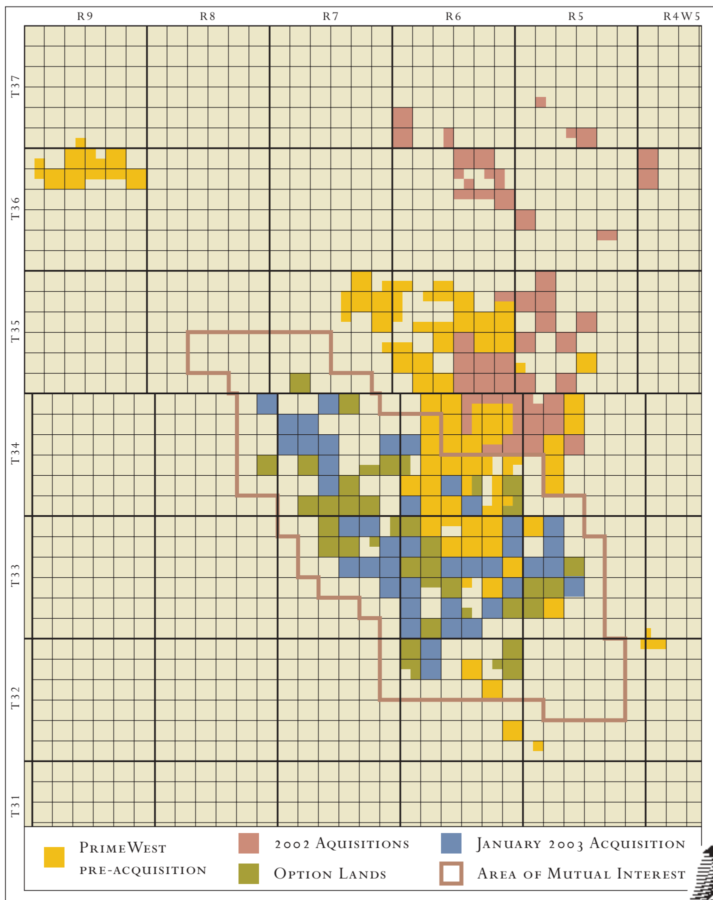
PrimeWest offers its unitholders significant exposure to the underlying commodity market, particularly for natural gas. We believe our natural gas weighting will enable us to continue delivering value in the form of above average total unitholder returns.

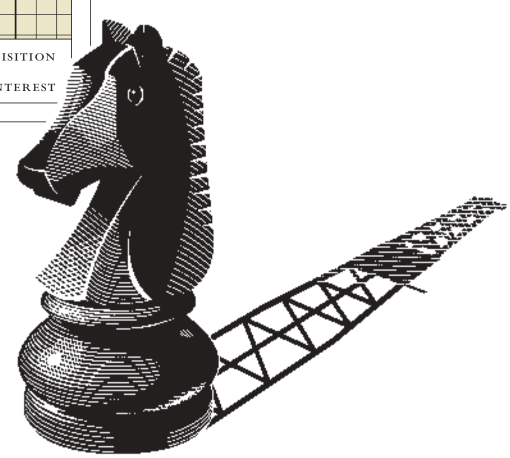


2003 Estimated Production



Significant Step Change in Natural Gas Prices





Caroline Core Area

Acquisitions in 2002 and early 2003 consolidated interests in this core area of operation, producing 5,500 BOE/day

2 Acquisition *and* development strategy

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PrimeWest has built a natural gas weighted asset base for its unitholders. Since 1996, we have invested $1.3 billion in acquisitions and $200 million in capital development while returning $579 million to unitholders. PrimeWest does not engage in high risk exploration activity.

Our approach to acquisitions is focused on value creation for unitholders. Our targets to date have strengthened our position in the Western Canadian Sedimentary Basin (WCSB). In the future, we will continue to focus a significant majority of our effort on the WCSB.

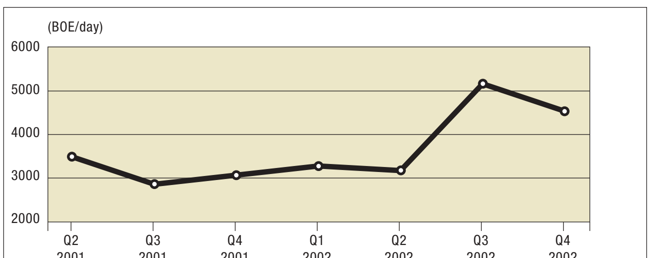
In 2002, PrimeWest initiated two value-added property acquisitions late in the year. Both transactions are accretive to future value and enabled PrimeWest to consolidate our interests and leverage our technical expertise in existing core areas where we already had a competitive advantage.

The two transactions are the Caroline/Ells acquisition completed in 2002 and the Caroline/Peace River Arch acquisition closed in early 2003. As a result, we expect our 2003 production to be approximately 34,500 – 35,500 BOE per day, a greater than 15% increase over 2002. We also estimate that natural gas will comprise approximately 68% of 2003 production.

These acquired properties, together with our existing properties, provide PrimeWest with a strong portfolio of development opportunities for 2003 and beyond.

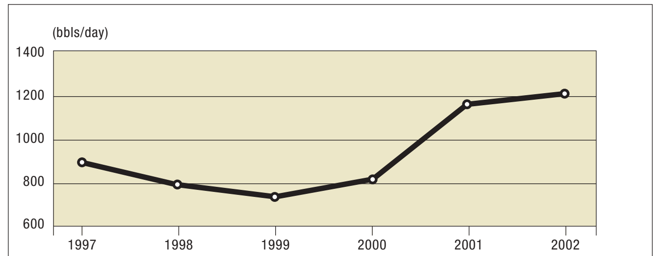
Our 2002 capital development program delivered an additional 8.7 million barrels of oil equivalent (BOE) of reserves from a $63.1 million capital development program, a cost of $7.27 per BOE. Our operating margin in 2002 was $18.46 per BOE, a 2.5 multiple of our average finding and development cost. In 2002, at Dawson and Boundary Lake, we were able to more than offset natural decline as illustrated in the graphs below.

Dawson was acquired in 2001. This production chart demonstrates that as a result of our development program, the production volumes almost doubled during 2002.

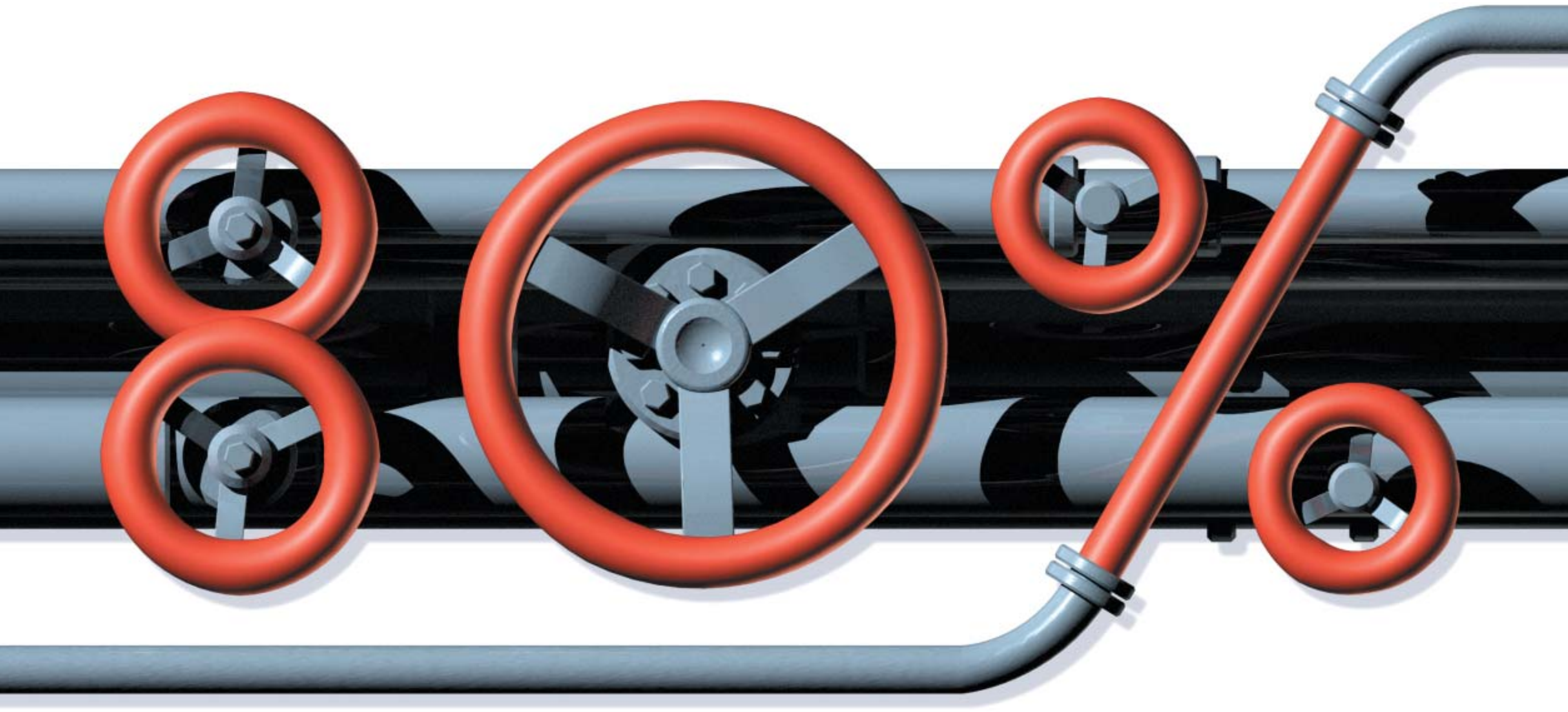


Dawson Production (Natural Gas)

Boundary Lake was acquired when PrimeWest was formed. Through our capital development program, we have been able to more than offset natural decline.



Boundary Lake Production (Crude Oil)



PrimeWest operates 80% of its production.

Defining Value

3 Low cost operations

PrimeWest *(prim'west) n.*: one of North America's largest conventional oil and gas royalty trusts, positioned to deliver value to unitholders because of its: **1.** natural gas weighting **2.** acquisition and development strategy **3.** low cost operations **4.** monthly distributions and active financial management **5.** access to capital and **6.** caring approach.

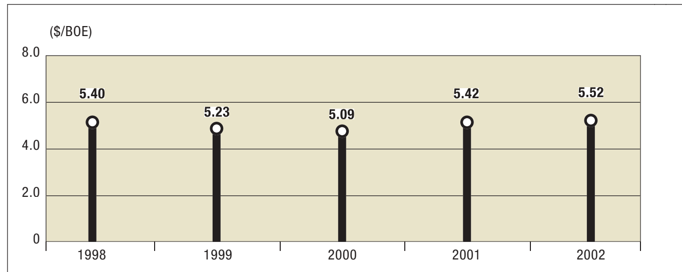
At PrimeWest we concentrate our efforts on our existing core operated areas as well as building new core areas in which we can be the operator. PrimeWest operates over 80% of our production, and that puts us in control. How? We decide on which development opportunities to pursue, the timing of development, the size of capital outlays and we can influence operating costs.

We strongly believe that acting as operator provides significant opportunity for value creation for unitholders.

The acquisition of assets at Caroline in late 2002 and early 2003 consolidated our position in that area, providing us with control of infrastructure and significant operational synergies. In addition, with the Peace River Arch properties acquired, we expect synergies from the operation of this new core area.

In a commodity-based business, the lowest cost operator has the advantage. By minimizing operating costs we can ensure we will maximize operating margins during all parts of the commodity price cycle.

For the last two years, PrimeWest's operating costs have been among the lowest per BOE of the seven largest conventional Canadian oil and gas royalty trusts. For 2003, we are targeting $6.00 – $6.50 per BOE of operating costs. With strength in natural gas prices, we expect electrical power costs to increase significantly.



Operating Expense


5 CENTS
CANADA

Defining Value

4 Monthly distributions *and* active financial management

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Distributions will change. That is the nature of the underlying business of PrimeWest. Commodity prices are a significant factor in the determination of distributions. We maintained the distribution level at 40 cents per trust unit per month throughout 2002. Our objective is to manage our business to create stability and predictability of distributions within the context of a commodity-based business.

We were able to sustain the distribution throughout 2002 despite weaker natural gas prices during the year. Our cash flow, without hedging gains, was 35 cents per month per trust unit. Hedging gains averaged 7 cents per month per trust unit, providing the additional cash flow required to sustain the distribution at the 40 cent level throughout 2002.

We use hedging to reduce the volatility of distributions and protect transaction economics. We do not utilize hedging as a speculative tool.

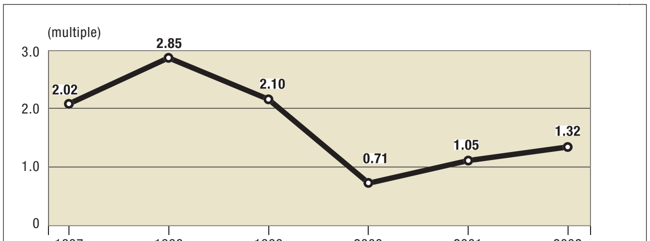
We manage our financial position to enable us to seize opportunities for acquisitions and capital development.

We were able to pursue the $206.1 million acquisition of properties at Caroline and Peace River Arch utilizing the debt capacity available because of our strong balance sheet.

We manage our debt position with regard for future changes in natural gas and crude oil price levels. Limiting the use of debt when prices are high provides assurance that debt levels will be manageable when commodity prices are low.

At December 31, 2002, our net debt[1] to cash flow multiple was 1.32 times and net debt to enterprise value was 19%.

[1] *Net debt is long term debt plus working capital.*



Net Debt to Cash Flow


PRIMEWEST

Defining Value

5 Access *to* capital

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PWI LISTED NYSE

On November 19, 2002, PrimeWest listed its trust units for trading on the New York Stock Exchange (NYSE). Satisfying the requirements for NYSE listing enhances the trust's profile in the investment community and provides access to the world's largest and most liquid capital market. Since listing on the NYSE, the average daily value traded on both the TSX and the NYSE has been in excess of $6 million, compared to only $3 million for 2002 prior to the NYSE listing. Trading on the NYSE has comprised 30% of the total trading combined on both exchanges.

In recent months, we were successful in completing two successive record setting bought deal equity financings for conventional oil and gas royalty trusts in Canada.

And we have taken a number of steps to enhance our corporate governance including:

¶ the elimination of management related fees and charges through internalization of management;

¶ the commitment to add two new independent and unrelated directors; Glen Russell joined the Board of Directors on January 8, 2003; and

¶ comprising the Board's Audit and Reserves Committee and Compensation Committee of only independent and unrelated directors.

6 Caring approach

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In the business world, you hear a lot of talk about "stakeholders". At PrimeWest, we prefer to call them "people". We believe that by making the right choices and taking the right actions, we can have a positive impact on the lives of the many people who, directly or indirectly, have a stake in our company. Every year, PrimeWest demonstrates through action our commitment to our unitholders, our employees, our suppliers, our partners, our customers and the communities in which we work.

We are focused primarily on maintaining the highest standards of environmental responsibility and the safety of our employees and communities.

We have developed our own strict environment, health and safety guidelines and we continuously train all of our people and monitor our performance. We are actively involved in our communities through regular consultative and feedback meetings with area residents. We are pleased to report that in 2002, PrimeWest received the Gold Level Award for Environment, Health and Safety Stewardship from the Canadian Association of Petroleum Producers (CAPP). PrimeWest also has Gold Champion Level status with the federal Voluntary Challenge and Registry (VCR), a program to reduce greenhouse emissions and show responsible health and environmental stewardship to our employees, landowners, communities and unitholders.

Our employees inspire us. In 2002, they raised nearly $88,000 for the United Way of Calgary (a 57% increase from 2001) and over $40,000 for cancer research. Through donations and employee contributions, PrimeWest also provided financial support to the McMan Youth, Family and Community Services Association in Calgary, the Alberta Adolescent Recovery Center and the Calgary Zoo.

PrimeWest and our employees share a belief that working together, we can make a difference to the communities in which we live and work.

Management Team

Tim Granger, P.Eng.
Chief Operating Officer

Mr. Granger is a graduate of Carleton University's engineering program, and has more than 23 years of oil and gas experience in drilling, production operations and property development. Before taking a leadership role at PrimeWest in June 1999, Mr. Granger headed the Canadian operations of a United States-based oil and gas producer.

Ron Ambrozy, P.Eng.
Vice-President,
Business Development

Mr. Ambrozy has been active in the oil and gas industry since 1975. Prior to joining PrimeWest in 1997, Mr. Ambrozy held progressively more responsible positions with Gulf Canada. Mr. Ambrozy has led the evaluation of properties and completion of transactions worth more than $3 billion over the past 15 years. For the last five years, he has been actively involved with the Petroleum Acquisition and Divestment Association (PADA) and is current co-chairman of that organization. Mr. Ambrozy is an engineering graduate of the University of Manitoba.

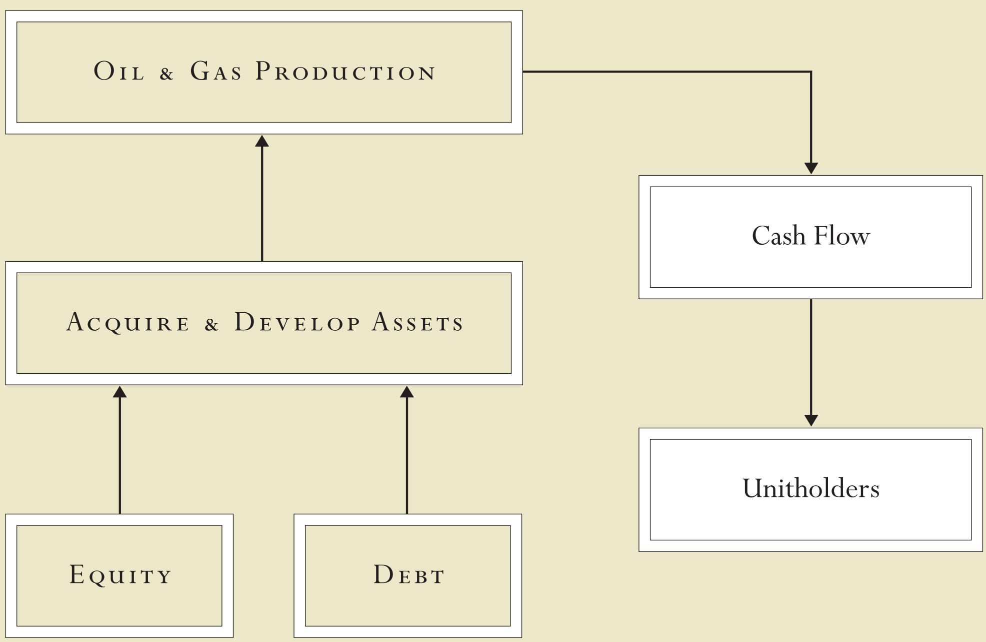
Dennis Feuchuk, CMA
Vice-President, Finance and
Chief Financial Officer

Mr. Feuchuk has spent over 27 years in the oil and gas industry in various financial and accounting capacities. Prior to joining PrimeWest in October 2001, Mr. Feuchuk was Vice-President and Controller for Gulf Canada Resources Limited and Vice-President and Treasurer for Athabasca Oil Sands Trust. Mr. Feuchuk is a graduate of Ryerson University with a Bachelor of Business Management.

Don Garner, P.Eng.
President and
Chief Executive Officer

Mr. Garner has over 24 years of experience in the oil and gas industry. Before joining PrimeWest, Mr. Garner was President and Chief Operating Officer of Northstar Energy Corporation. Prior to that, he spent a good portion of his career at Imperial Oil Limited in various capacities, including executive responsibility for the Oil Sands Business Unit and as a director of Syncrude Canada Limited. Mr. Garner is an engineering graduate of the University of Saskatchewan.

Royalty Trust Structure



Using equity and/or debt financing, Canadian oil and gas royalty trusts actively acquire and develop primarily lower risk oil and gas properties.

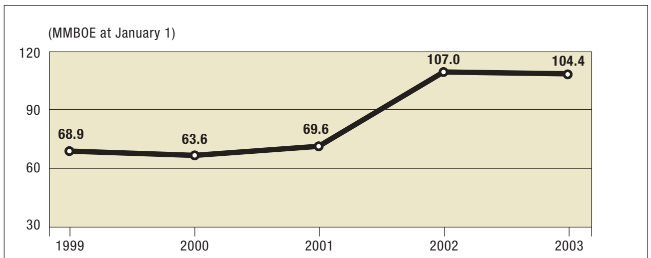
Through the production and sale of crude oil, natural gas and natural gas liquids, cash flow is generated. A majority of this cash flow is paid out to unitholders in the form of monthly distributions.

PrimeWest does not participate in higher risk exploration.

Vision: BEING THE INVESTMENT AND EMPLOYER OF CHOICE WITHIN THE OIL AND GAS ROYALTY TRUST SECTOR

STRATEGY	2002 OBJECTIVES	2002 PERFORMANCE
Asset Growth	¶ Use the low cycles in the commodity price environment and strong balance sheet to add high quality reserves to our asset base. ¶ Maintain or increase our reserve life index.	✓ Low commodity price cycle was short lived. Initiated approximately $250 million in property acquisitions principally at Caroline and Peace River Arch increasing production by 15% or more and natural gas weighting to 68%. ✓ RLI remained constant at 10 years (established reserve basis).
Operating Excellence	¶ Moderate natural production decline through prudent capital development. ¶ Add incremental production through drilling, completions and workovers. ¶ Reduce per BOE operating expenses from 2001 levels.	✓ Production averaged 30,189 BOE/day ahead of the target range of 29,000 – 30,000 BOE/day. ✓ Added 8.7 million BOE of established reserves at $7.27 per BOE. ✗ Operating costs modestly higher at $5.52 per BOE, compared to $5.42 per BOE in 2001; among low cost operators in royalty trust sector.
Financial Prudence	¶ Maintain a strong financial position as measured by net debt per Trust Unit and debt-to-cash flow ratio.	✓ Net debt-to-cash flow from operations ratio of 1.32 times at year end, below our target maximum of 2.0 times. ✓ Net debt per Trust Unit of $5.79 at year end.
Risk Management	¶ Use hedging to stabilize and protect distribution levels. ¶ Manage distribution rates as commodity prices cycle.	✓ Hedging gains of $28.1 million supported $0.40 per unit per month distribution level throughout 2002.

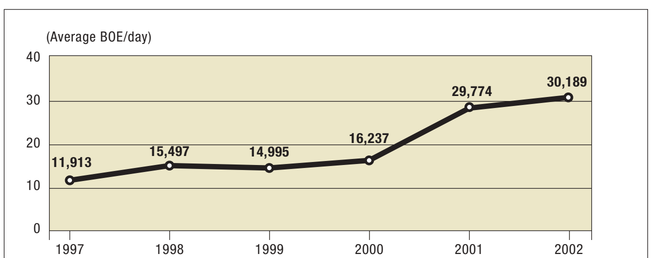
PERFORMANCE TRENDS	2003 OBJECTIVES



Established Reserves

¶ Continue to pursue value added acquisitions in existing core areas or to create a new core area

¶ Maintain or increase our reserve life index, currently 10 years on an established basis.



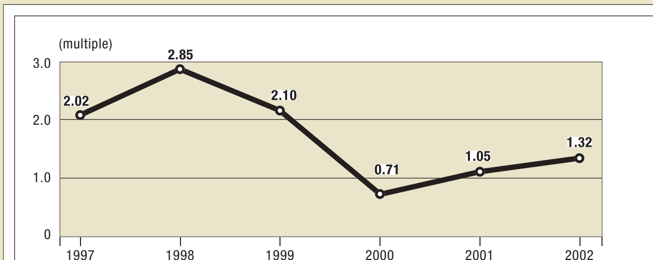
Production

¶ Average 34,500 – 35,500 BOE/day of production.

¶ Invest $70 to $100 million in value added incremental production through drilling, completions, facility optimization and workovers.

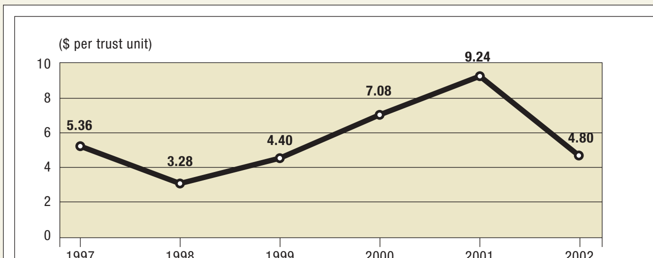
¶ Operating expenses for 2003 of $6.00 – $6.50 per BOE.

¶ Maintain position among low cost leaders.



Net Debt to Cash Flow

¶ Maintain debt-to-cash flow ratio of less than 2.0 times.



Distributions

¶ Reduce distribution volatility by maintaining price protection on up to 70% of production net of royalties and development additions.

Strong solutions are expressed in this column design that is a powerful declaration of stability and unity. The bold lines are drawn together, yet allow room for free expression within. Firm, vertical pillars capped together by the top of the letter "P" imply the Trust's solid performance.

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The New York Stock Exchange, (PWI)

Registrar and Transfer Agent
Computershare Trust Company of Canada
Toll-free in Canada: 1-800-332-0095

Auditor
PricewaterhouseCoopers LLP, Calgary

Engineering Consultants
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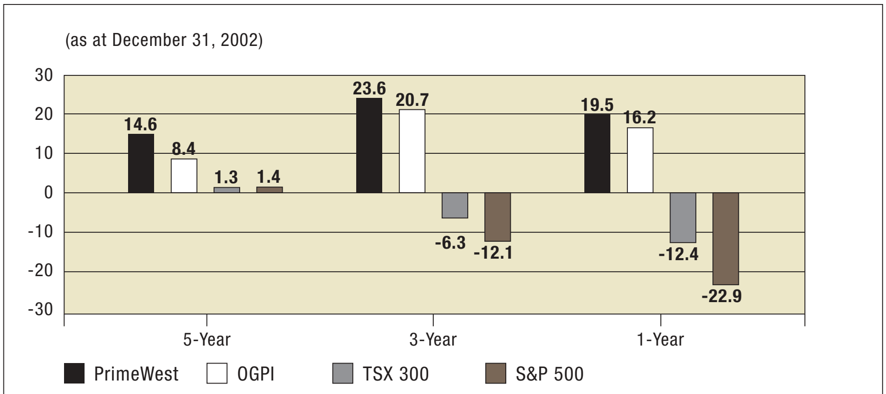

PrimeWest Total Return (%)