

Q1 2007

First Quarter Interim Report
Three months ended March 31, 2007

Petro west
Energy
Services Trust

FINANCIAL HIGHLIGHTS

\$000's except per unit amounts, margins and ratios

For the three months
ended
March 31, 2007

Financial Results	
Revenue	32,863
EBITDA	5,826
EBITDA margin	17.7%
Net earnings(loss)	(2,225)
Total assets	281,080
Total liabilities	41,152
Unitholders' equity	239,928
Financial Position and Liquidity	
Working capital	24,973
Working capital ratio	2.42:1
Total revolving bank term loan and obligations under capital leases (including current portion)	25,846
Weighted average number of units outstanding – basic and diluted	28,275,094
Distributions per unit	\$0.30
Payout ratio	153%
Net earnings(loss) per unit – basic and diluted	(\$0.08)
Unit price – March 31, 2007	\$7.09

OUTLOOK

Petrowest believes it will exit the year on an upward trend and with a strong balance sheet. The projected 2007 exit Debt to EBITDA ratio target is 1.37 times or less and the projected annual average distribution to EBITDA ratio is 85% or less.

The Petrowest 2007 projections are based on the following facts and assumptions:

- The projected accretiveness of the pending acquisitions.
- Larger regional footprint in northern Alberta and British Columbia.
- The current positive working capital balance of \$25.0 million.
- Current long term debt of \$25.8 mm versus line of credit of \$60 million.
- Minimal growth capital required to the end of 2007.
- Improving natural gas prices and continued strong oil price.
- Clients expressing confidence in a more active second half based on expanded budgets.
- Implementation of a DRIP program.
- A participation rate (averaging 75% take up) by the active founding vendors in the new DRIP program.

Management and the Board of Directors of Petrowest recognize that the exit numbers at the end of 2007 are sustainable only in the short term. Long term distribution payout ratios at or less than 75% and debt to EBITDA ratios of less than 1:1 are still the primary objectives for sustainable operations and long term stable growth of the Trust.

Based on the above facts and assumptions, and recognizing the long term primary objectives of the Trust, Management and the Board of Directors have elected to maintain distributions at the current level. However, changes to circumstances, indications of a prolonged downturn in energy activity, or current unforeseen circumstances including the failure of the base business operations or the new acquisitions to perform as expected could result in the necessity for future distribution cuts to ensure satisfactory year end exit numbers and that the Trust will exit the year end on an upward trend.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) is dated May 9, 2007. The MD&A should be read in conjunction with Petrowest Energy Services Trust's ("Petrowest" or the "Trust") unaudited interim consolidated financial statements as at and for the three months ended March 31, 2007, as well as the MD&A's of the "Acquired Companies" contained in the Trust's prospectus dated August 28, 2006, the MD&A for the December 31, 2006 year end, and the Trust's audited consolidated financial statements for the period ended December 31, 2006. The Trust was formed on July 6, 2006, and commenced trading on the TSX on September 7, 2006. This date should be viewed as the effective start of commercial operations. Revenue and expense analysis focuses primarily on the changes in the first quarter of 2007.

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BASIS OF PRESENTATION

These financial statements are stated in Canadian dollars and have been prepared by the management of Petrowest in conformity with Canadian generally accepted accounting principles ("GAAP") and have been prepared following the same accounting policies and methods of application as the audited consolidated financial statements of the Trust for the fiscal year end December 31, 2006. Accounting measurements at interim dates inherently involve greater reliance on estimates than at year-end and the results of operations for the interim periods shown in these statements are not necessarily indicative of the results to be expected for the fiscal year. In the opinion of management, the accompanying unaudited interim consolidated financial statements included all adjustments (of a normal recurring nature) necessary to present fairly the consolidated results of its operations and cash flows for the three months.

NON-GAAP MEASURES

In this MD&A the Trust uses the term "Distributable Cash" to refer to the amount of cash that is expected to be available for distributions to the unitholders; the term "EBITDA" to refer to earnings before interest expenses net of interest income, loss on disposal of assets, amortization of property and equipment and amortization of intangible assets; the term "EBITDA Margin" to refer to a fraction, the numerator of which is EBITDA and the denominator of which is Revenue; the term "Cash Flow From Operations Before Changes in Non-Cash Working Capital" to refer to cash provided by operating activities before changes to accounts receivable, prepaid expenses, inventory and accounts payable and accrued liabilities; the term "Distributions Per Unit" to refer to a fraction, the numerator of which is distributions paid or accrued to unitholders and the denominator of which is the number of trust units issued; the term "Net Debt" to refer to the sum of total obligations under capital leases and revolving equipment loans, less cash and cash equivalents; the term "Cash Flow From Operations Before Changes in Non-Cash Working Capital Per Unit" to refer to a fraction of which the numerator is Cash Flow From Operations Before Changes in Non-Cash Working Capital and the denominator is the number of trust units issued; the term "Cash Flow From Operating Activities Per Unit" to refer to a fraction of which the numerator is cash provided by operating activities and the denominator is the number of trust units issued and the term "Payout Ratio" to refer to a fraction of which the numerator is distributions paid or accrued to unitholders and the denominator is Distributable Cash. The terms Distributable Cash, EBITDA, EBITDA Margin, Cash Flow From Operations Before Changes in Non-Cash Working Capital, Distributions per Unit, Net Debt, Cash Flow From Operating Activities Per Unit and Payout Ratio are not measures recognized by Canadian generally accepted accounting principles ("GAAP") and do not have standardized meanings prescribed by GAAP and therefore may not be comparable to performance measures presented by others.

Readers are cautioned that "Distributable Cash", "EBITDA", "EBITDA Margin", "Cash Flow From Operations Before Changes in Non-Cash Working Capital", "Distributions per Unit", "Net Debt", "Cash Flow From Operations Before Changes in Non-Cash Working Capital Per Unit", "Cash Flow From Operating Activities Per Unit" and "Payout Ratio" should not be considered as alternatives to net earnings, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP.

Management views Distributable Cash as an operating performance measure, as it is a measure generally used by Canadian income funds as an indicator of financial performance. As the Trust will distribute substantially all of its cash on an ongoing basis (after providing for certain amounts described in the following MD&A) and since EBITDA, EBITDA Margin, Cash Flow From Operations Before Changes in Non-Cash Working Capital, Distributions per Unit, Net Debt, Cash Flow From Operations Before Changes in Non-Cash Working Capital Per Unit, Cash Flow From Operating Activities Per Unit and Payout Ratio as respectively defined above are metrics used by many investors to compare issuers on the basis of their ability to generate cash from operations, management believes that, in addition to net earnings, EBITDA, EBITDA Margin and are useful supplemental measures from which to make adjustments to determine distributable cash. The estimate of Distributable Cash has been prepared using assumptions which management believes are reasonable and supportable, all of which reflect the Trust's planned course of action given management's judgment about the most probable set of economic conditions.

DESCRIPTION OF BUSINESS

Petrowest is an unincorporated, open-ended, limited purpose, mutual fund trust established under the laws of Alberta. Petrowest is involved in pre-drilling and post-completion energy services, construction and hauling and is based in the Grande Prairie area of northern Alberta. Approximately two-thirds of the Trust's services are provided to the energy sector and the remainder of services is provided to other industries. The ongoing operations have been segregated into four limited partnerships and the assets and operations are maintained within those partnerships. Petrowest does business within the various partnerships under the trade operating names described below:

Petrowest Construction LP

Petrowest Construction LP operates under the trade names of "Gordon Bros. Construction", "Roy Larson Construction", and "Wales Contractors" and specializes in the construction of oil and gas lease well site pads, road construction, remediation of oil and gas well sites, and civil infrastructure work for non oil and gas clients. Petrowest Construction LP operates a fleet of heavy equipment including dozers, tracked hoe excavators, articulated rock haulers, compactors, graders, and scrapers as well as other ancillary support equipment.

Petrowest Transportation LP

Petrowest Transportation LP operates under the trade names of, "D&D Well Services" and "Murtron Hauling" and specializes in the transportation of oil and gas drilling rigs, well site equipment and heavy equipment as well as specialty hauling services including log loading and hauling and gravel loading and hauling. The Transportation LP operates a fleet of heavy transport trucks, trailers, jeeps, boosters, and log and gravel loading equipment as well as other ancillary support equipment.

Petrowest Civil Services LP

Petrowest Civil Services LP operates under the trade names of, "R. Bee Crushing", and "S.O.S. Oilfield Safety". The Civil Services LP specializes in mobile aggregate rock crushing and sand screening for gravel supply operations throughout Alberta and British Columbia operating a fleet of cone and jaw crusher units, conveyor and sand stacker units, loaders, dozers, tracked hoe excavators and articulated rock trucks. The Civil Services LP also provides safety services including safety supervision and rental of safety air units and wash units provide for safety support during oil and gas drilling operations and plant turnarounds.

Petrowest Rental Services LP

Petrowest Rental Services LP operates under the new trade name of "Nu-Northern Tractor Rentals" and specializes in heavy equipment rentals to oil and gas companies, oil sand clients, and independent contractors working in the oil and gas, mining, logging, pulp and paper and civil construction industries. The Rental Services LP operates a fleet of heavy equipment including dozers, tracked hoe excavators, articulated rock haulers, compactors and side-boom pipelayers.

The Trust's operations are primarily in the deep drilling market regions of the Western Canadian Sedimentary Basin ("WCSB") with operations in northern Alberta and northeastern British Columbia. The WCSB is one of the largest oil and gas producing regions in North America. Much of the terrain in the WCSB is considered rugged, resulting in access issues due to dense bush, muskeg, bedrock and mountainous terrain all of which are complicated by the weather in the region. Historically this region has been less impacted by cyclical swings in market prices due to the longer lead times in access, drilling and completion of planned wells. Oil and gas producer companies have generally taken a longer term view of project work in the area with consistent growth in drilling activity.

Weather also has a direct impact on the operations of Petrowest. Oil and gas drilling activity is generally stronger November through March as frozen ground conditions allow for the exploration in areas with muskeg conditions. Wet weather in the spring and early summer months hinder the activity. As frost comes out of the ground, road conditions deteriorate and municipalities impose temporary weight restrictions on road surfaces ("road bans"), thus placing restriction on access and trucking operations. Operations normally gain strength in late June and continue through to the end of summer and fall. A short slowdown normally exists in late fall until freezing conditions allow for winter work activity to recommence.

BUSINESS FUNDAMENTALS

Oil and Gas Overview

Activity in the Western Canadian Sedimentary Basin ("WCSB") continues to be influenced by lower commodity pricing based on lower demand, higher finding and development costs impacting capital budgets and additional new equipment in the energy services sector to meet the increase in natural gas drilling over the past five years. These factors directly impact Petrowest's operations, which derives approximately two-thirds of its revenues from oil and gas exploration and development activities.

The Canadian Association of Oilwell Drilling Contractors ("CAODC") reports wells drilled and completed in Western Canada primarily in the WCSB increasing from 2005 at 21,925 to 22,127 in 2006 with a current estimate of 19,023 in 2007. The number of gas wells drilled has declined from 72% of total wells drilled in 2004 to 69% in 2006 which reflects an emphasis on oil exploration activities due to stronger prices for oil in the past several years.

The above factors and the continued growth in both the conventional oil drilling and oilsands development and the strength of Alberta's overall economy continue to provide opportunities in the oil and gas sector.

Oil Sand Operations

In 2006 Alberta's oil sands were the source of about 69% of the province's total crude oil and equivalent production. According to the Canadian Association of Petroleum Producers (CAPP), in 2006 industry investment in Alberta's oil sands totaled approximately \$10 billion. Annual oil sands production is growing steadily as the industry matures. Output of marketable oil sands production increased to 1.2MM barrels per day (bbl/d) in 2006 or approximately 36% of Canada's total oil and liquids production.

Within Alberta there are three recognized oil sand areas, the largest, the Athabasca Oil Sands is a huge deposit containing an estimated 1.3 trillion barrels of oil. The Cold Lake area also has sizable oil sand deposits estimated at 200 billion barrels. The Peace Oil Sands is a resource containing an estimated 155 billion barrels of oil

The Trust is geographically positioned in Grande Prairie on the western edge of the Peace Oil Sands projects. The Trust currently provides trucking, equipment rental, and lease and road building construction to clients operating in the Peace Oil Sands. These projects are in an infancy stage relative to the Athabasca Oil Sand projects and the Trust is working to establish relationships with the major operators in this area.

In addition, the Trust currently provides services to clients and producers operating in the Athabasca Oil Sands markets with respect to gravel and aggregate crushing and equipment rentals in the Fort McMurray area. Planned future investment and development by producer companies in both Fort McMurray and Peace River are expected to continue to grow rapidly over the next five years.

Other Services

The Trust performs services for clients not tied to oil and gas. These services included gravel and aggregate crushing, gravel loading/hauling and placing, log loading and hauling, equipment hauling, lease road building and maintenance for municipal, county and commercial and residential projects and equipment rental to commercial, logging and mining operations. Approximately 35% of the Trust's revenue is currently derived from work provided to these sectors. Management is currently pursuing bids or negotiations on work tied to a number of these planned projects and is optimistic that the Trust will be successful in future participation on many of the projects.

Based on 2005 Alberta government statistics, forests cover more than 60% of Alberta's total land base, equal to approximately 94 million acres or almost 147,000 square miles. Of this land base, 87% is on public lands and managed for sustainable development with over 75 million seedlings planted every year to sustain the forests. Alberta Forest Products Association estimates Alberta's forest sector generates \$8.4 billion in revenues with growth expectations of approximately 0.4% annually from 2005 to 2010. As at December 31, 2006 there were approximately 5 major forestry related projects proposed or underway in the Peace River region, the Trust's primary operation area. These projects totaled approximately \$490 million dollars of which approximately 90% of the project values are being undertaken by clients the Trust currently works for.

As of December 2006, according to statistics released by the Alberta government, there are approximately 135 major projects proposed or underway in the Peace River Region. The value of these projects is approximately \$1.19 billion, although it is reasonable to expect that not all proposed projects will proceed. A large number of these projects will require services the Trust is able to provide including gravel crushing and supply, gravel hauling and road and site construction.

ACQUISITIONS

The Trust was formed by a deed of trust dated July 6, 2006. Pursuant to a prospectus dated August 28, 2006 the Trust issued units and used the proceeds, through its subsidiaries, to acquire 100% of the outstanding shares of the Acquired Companies described in Note 4 to the March 31, 2007 interim unaudited financial statements. The estimated purchase price of the Acquired Companies was approximately \$258.0 million including post closing adjustments for actual working capital acquired and the actual Acquired Companies' debt balances retired on the acquisition. The purchase price was funded by payment of approximately \$107.6 million net cash payable to the vendors, \$22.7 million retirement of debt and the issuance of units by the Trust for proceeds of \$127.7 million. In conjunction with the acquisitions, all debt and capital lease obligations were repaid by Petrowest through the use of proceeds from the offering.

There is currently a dispute with Northern Tractor associated with the valuation of certain working capital items and the valuation of redundant assets retained by the vendor. The total disputed amount is approximately \$3.7 million of which the trust has collected to date approximately \$2.9 million associated with amounts in dispute. Arbitration of these amounts is expected to occur prior to the end of the third quarter of 2007 and adjustments required to the purchase price, if any, may be material.

SUBSEQUENT EVENTS

On May 9, 2007 Petrowest entered into agreements to acquire all of the outstanding shares and shareholder loans of Cutbank Trucking Ltd. and Cutbank Transport Ltd. (collectively, "Cutbank"), Jim Moffatt Construction Ltd. and 921639 Alberta Ltd., (collectively, "Jim Moffatt Construction"), Quigley Contracting Ltd, 529805 B.C. Ltd. and LMQ Enterprises Ltd., (collectively, "Quigley Contracting Ltd."), Rick's Mechanical Services Ltd. and Tri-Dave Gravel Sales Ltd (collectively, the "Acquired Companies"). The maximum total purchase price for the Acquired Companies will be approximately \$94.2 million, comprised of the payment of approximately \$50.4 million in cash, the issuance of approximately 4.3 million trust units of Petrowest and the assumption of approximately \$10.2 million of debt of the Acquired Companies.(assuming a trust unit price of \$7.75) The effective maximum total purchase price is reduced

by changes in working capital for the period from January 1, 2007 to closing which accrue to the benefit of Petrowest. In addition, the terms of the agreements require minimum working capital on the acquisitions to be approximately \$11.1 million in the aggregate. It is estimated that actual cash balances acquired on closing will be in excess of \$6.0 million. The revenue generated by these companies in aggregate over their last fiscal year was approximately \$76.6 million.

The Acquisitions will be accounted for using the purchase method with the assets acquired and liabilities assumed recorded at their estimates of fair value. Approximate consideration is subject to normal course post closing adjustments.

Cutbank Trucking Ltd. and Cutbank Transportation Ltd. are operated together as one business and specialize in hauling logs and gravel and the provision of log loading equipment in Grande Prairie, Alberta. Cutbank Trucking Ltd. was formed in 1972 and Cutbank Transportation Ltd. was formed in 1997.

Jim Moffatt Construction Ltd. is a lease and road building company operating in northern Alberta. Jim Moffatt Construction Ltd. was formed in 1992 and operates from its base in Worsley, Alberta. In addition to lease and road building, Jim Moffatt Construction Ltd. also operates a 250-man camp permanently located in Worsley.

Rick's Mechanical Services Ltd. is a mid-size lease and road builder based in Peace River, Alberta. Rick's Mechanical Services Ltd. was formed in 1993 and has achieved a positive working relationship with the Woodland Cree First Nation in providing services to oil sand developers operating on the traditional lands of the Woodland Cree First Nation.

Quigley Contracting Ltd. is a lease and road building companies operating in Fort St. John, British Columbia. Quigley Contracting Ltd. was formed in 1990 by Rick Quigley. The acquisition of Quigley Contracting Ltd. will expand Petrowest's geographical footprint into the northern regions of British Columbia.

Tri-Dave Gravel Sales Ltd. is a gravel crushing operation that operates in the Edmonton area. Tri-Dave Gravel Sales Ltd. was formed in 1984. Tri-Dave Gravel Sales Ltd. will provide additional capacity to Petrowest's crushing operations conducted by R. Bee Crushing.

The trust units issued pursuant to the acquisitions will be subject to escrow, with 25% of such units to be issued on the first anniversary of closing and the remainder on the second anniversary of closing.

Effective May 1, 2007, Petrowest signed a memorandum of understanding for the acquisition of the road construction equipment assets owned by a subsidiary of the Woodland Cree First Nations ("WCFN") for \$4.0 million. In conjunction with the asset purchase, Petrowest and WCFN will enter into a major strategic alliance, structured as a joint venture, which will see Petrowest provide a combination of services within the WCFN traditional lands.

On April 27, 2007, Petrowest approved the implementation of a DRIP program which provides the opportunity for unitholders to reinvest the cash distributions towards the purchase of additional units from treasury at a price equal to 95% of the average market price based on weighted average trading prices for the ten days prior to distribution payment date.

SUMMARY OF RESULTS- QUARTERLY ANALYSIS

Petrowest commenced trading on the Toronto Stock Exchange on September 7, 2006, the day of commencement of commercial operations of the Trust. Accordingly, the first quarter of fiscal 2007 has no comparative figures for the same period in the previous year, as the Trust was not yet created.

\$000s <i>except per unit amounts, margins and ratios</i>	Q1 2007	Q4-2006	Q3-2006 (Stub) ⁽¹⁾
Revenue by segment			
Construction	9,984	11,089	2,520
Transportation	11,307	11,954	3,726
Civil	9,951	10,124	3,697
Rentals	1,621	2,662	964
Total Revenue	32,863	35,829	10,907
Operating expenses by segment			
Construction	7,663	7,820	1,857
Transportation	9,507	9,649	3,052
Civil	6,809	6,567	2,242
Rentals	1,367	1,051	604
Total operating expenses	25,346	25,087	7,755
Administrative Expenses	1,691	1,291	507
EBITDA⁽²⁾	5,826	9,451	2,645
Amortization of property and equipment	5,131	4,682	1,142
Amortization of intangible assets	2,180	2,113	672
Interest - net	494	59	127
Loss (gain) on disposal of assets	246	(20)	(58)
Net earnings (loss)	(2,225)	2,617	762
Net earnings (loss) per unit basic and diluted	(\$0.08)	\$0.09	\$0.03

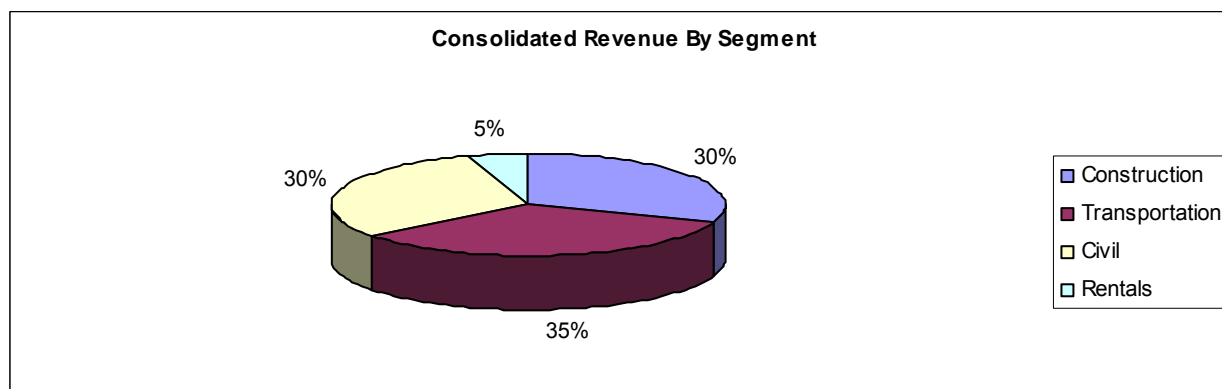
Notes ⁽¹⁾ Q3-2006 stub is for the period from September 7, 2006 to September 30, 2006.

⁽²⁾ The term EBITDA is not a measure recognized by Canadian generally accepted accounting principles ("GAAP") and does not have standardized meanings prescribed by GAAP.

REVENUE

Consolidated revenue for Q1 of 2007 was \$32,862,905 compared to \$35,829,197 in Q4 of 2006. This represents a decline of \$2,966,292 or 8.3%. The impact of the softening of oil and gas drilling activity in the Trust's work area that commenced in late November of 2006 and the early shutdown of drilling activity in early March had significant impacts in the last two quarters to total revenues. In addition, all segments were impacted severely by excessive snowfall in northern Alberta in Q1 which hampered operations and reduced productivity.

While revenue declined over Q4 of 2006 the segment contributions to total revenue have remained fairly consistent since inception of the Trust. Each segment contributed to revenue as follows: Construction: \$9,984,118 or 30%, Transportation: \$11,306,226 or 34%, Civil: \$9,951,420 or 30%, and Rentals: \$1,621,141 or 5%.



As a percentage of overall revenue compared to Q4 of 2006, the civil segment remained unchanged, the rentals segment declined by 3%, the construction segment increased by 1% and the transportation segment increased by 2%.

INTER SEGMENT REVENUES

Eliminated from the financial statements is \$2,370,743 (\$1,786,431 – 2006 Q4) of inter-segment sales and the offsetting costs at the same value. These inter-segment sales relate to the market value of activity between the various segments of the Trust, including the Transportation segment hauling equipment on behalf of the Construction and Civil segments, the Rentals segment supplying equipment to the Civil segment and other cross utilization of manpower and equipment.

OPERATING EXPENSES

Operating expenses on a consolidated basis for the three months ended March 31, 2007 were \$25,345,392 or 77% of revenue. This compares to \$25,086,481 or 70% of revenue for Q4 of 2006.

The combinations of adverse weather and consequent decline in productivity, the severe decline in drilling activity, and the costs of the more than 25% increased capacity added to each of the operating segments in the prior year resulted in a continuing decline in operating margins.

On a per segment basis the following is the results by segment:

The Construction segment costs in Q1 of 2007 increased to 76.8% of revenue from 70.5% in Q4 of 2006. This segment was negatively impacted by an early slowdown in activity in Q1. Actual drilling activity deteriorated quickly in early March but the upfront lease building started a rapid decline much earlier in the quarter. This compounded by the heavy snowfalls in the area and the subsequent lost productivity and the costs of increased operating capacity resulted in the increase in costs for the segment.

The Transportation segment costs increased to 84.0% of revenue from 80.7% in Q4 of 2006. This segment was impacted by the same circumstances as the construction segment, however margins were not quite as severely impacted. The additional capacity added to this group reduced somewhat the reliance on third party subcontractors and consequently the margin decline was slightly less.

The Civil segment costs increased to 68.4% of revenue from 64.9% in Q4 of 2006. This segment is not dependent on drilling activity for the majority of operations. However productivity is generally the poorest in the winter months specifically Q1 due to freezing conditions, requirements for ripping of overburden, frost digging conditions and the resulting general lower throughput of aggregate crushed products.

The Rental segment costs increased to 84.3% of revenue from 39.5% in Q4 of 2006. This segment of the Trusts operations were impacted the hardest of all segments. A significant portion of the Trusts articulated rock trucks previously employed in the oil sand operations in Fort McMurray were off rent for the month of January and part of February. In addition, pipeline operations in the area were delayed significantly in the current year and rental utilization was down on the Trusts fleet of pipeline equipment. This combined with the costs of the more than 50% increase in capacity to this division resulted in poorer than expected performance for this segment.

GENERAL AND ADMINISTRATIVE

General and administrative expenses for Q1 of 2007 were \$1,691,666 or 5% of revenue compared to \$1,291,718 or 3.6% of revenue for Q4 of 2006. Additional costs related to additional accounting and administrative staff, additional consulting costs evaluating the impacts of the federal tax announcements and staff training costs associated with the new accounting and management system implemented in conjunction with the integration of the Acquired Companies.

EBITDA

EBITDA for the period ended March 31, 2007 was \$5,825,848.⁽¹⁾ This represents an EBITDA margin of 17.7%.⁽²⁾

⁽¹⁾ EBITDA is calculated as net earnings of \$(2,224,339) plus interest expense of \$543,636 less interest income of \$50,289, plus loss on disposal of assets of \$245,809 plus amortization of property and equipment and amortization of intangible assets of \$7,311,031.

⁽²⁾ EBITDA Margin is a fraction of which EBITDA of \$5,825,848 is the numerator and revenue of \$32,862,905 is the denominator.

AMORTIZATION OF PROPERTY AND EQUIPMENT

Amortization for the period ending December 31, 2006 was \$5,131,389. Amortization is applied to reduce the value of property and equipment to its estimated residual value over its estimated useful life on a declining balance basis annually or on an actual usage basis

AMORTIZATION OF INTANGIBLE ASSETS

Intangible assets, consisting of acquired customer relationships, brand and trade names, and non-competition agreements are recorded at cost and amortized over their useful lives, which is estimated to be between 5 and 10 years. Intangible assets are regularly evaluated by comparing their applicable estimated future net cash flows to the unamortized net book value of the intangible asset. Any impairment would be charged to income in that period.

INTEREST

Interest expense reflects carrying costs on lease obligations, interest on capital lease obligations and interest on the revolving bank term loan.

INCOME TAXES

Petrowest, and its operating entities, are taxable entities under the Income Tax Act of Canada and are currently taxable only on income that is not distributed or distributable to the unit holders. As the trust currently distributes all of its taxable income to the unit holders, no provision for income taxes has been made in these consolidated financial statements.

On October 31, 2006, the Minister of Finance (Canada) announced income tax proposals which, if enacted, would modify the taxation of certain flowthrough entities including mutual fund trusts and their unitholders (the "October 31 Proposals"). The October 31 Proposals will apply to a specified investment flowthrough ("SIFT") trust and will apply a tax at the trust level on distributions of certain income from such SIFT trust at a rate of tax comparable to the combined federal and provincial corporate tax rate. These distributions will be treated as dividends to the Trust unitholders.

On March 19, 2007, the Government of Canada tabled in Parliament Bill C-52 draft legislation to implement the October 31 Proposals discussed above. Bill C-52, which has received first reading, appears to be generally consistent with details included in the October 31 announcement.

It is expected that Petrowest will be characterized as a SIFT trust and as a result would be subject to the October 31 Proposals. The October 31 Proposals are to apply commencing January 1, 2007 for all SIFT trusts that begin to be publicly traded after October 31, 2006 and commencing January 1, 2011 for all SIFT trusts that were publicly traded on or before October 31, 2006. Subject to the qualification below regarding the possible loss of the four year grandfathering period in the case of undue expansion, it is expected that Petrowest will not be subject to the October 31 Proposals until January 1, 2011.

Under the existing provisions of the Income Tax Act, Petrowest can generally deduct, in computing its income for a taxation year, any amount of income that it distributes to unitholders in the year and, on that basis, Petrowest is generally not liable for any material amount of tax.

Pursuant to the October 31 Proposals, commencing January 1, 2011, (subject to the qualification below regarding the possible loss of the four year grandfathering period in the case of undue expansion), Petrowest will not be able to deduct certain of its distributed income (referred to as specified income). Petrowest will become subject to a distribution tax on this specified income at a special rate estimated to be 31.5%.

Petrowest may lose the benefit of the four year grandfathering period if Petrowest exceeds the limits on the issuance of new trust units and convertible debt that constitute normal growth during the grandfathering period (subject to certain exceptions). The normal growth limits are calculated as a percentage of Petrowest's market capitalization of \$248.9 million on October 31, 2006 as follows: 40 percent for the period November 1, 2006 to December 31, 2007, 20 percent for each of 2008, 2009 and 2010. Unused portions may be carried forward until December 31, 2010.

Pursuant to the October 31, 2007 proposals, the distribution tax will only apply in respect of distributions of income and will not apply to returns of capital.

If the October 31 Proposals are implemented, it is expected that the imposition of tax at the Petrowest Trust level under the October 31 Proposals will materially reduce the amount of cash available for distributions to unitholders and Petrowest may be required to make income tax provisions in the future.

NET INCOME

Net loss for the period ended March 31, 2007 was \$(2,224,339). This represents a net loss per unit of \$0.08, basic and fully diluted.

RECONCILIATION OF NET EARNINGS TO EBITDA AND DISTRIBUTABLE CASH

Management views distributable cash as an operating performance measure, as it is a measure generally used by Canadian income funds as an indicator of financial performance. As the Trust will distribute substantially all of its cash on an ongoing basis (after providing for certain amounts described below) and since EBITDA (as defined in "Non-GAAP Measures") are metrics used by many investors to compare issuers on the basis of their ability to generate cash from operations, management believes that, in addition to net earnings, EBITDA is a useful supplemental measure from which to make adjustments to determine distributable cash. The estimate of distributable cash has been prepared using assumptions which management believes are reasonable and supportable, all of which reflect the Partnerships planned course of action given management's judgment about the most probable set of economic conditions.

<u>\$000s</u>	<u>For the three months ended March 31, 2007</u>
Net loss	(2,225)
Interest	544
Amortization of property and equipment	5,131
Amortization of intangibles	2,180
Interest income	(50)
Loss on disposal of property and equipment	246
EBITDA	5,826
Unit based compensation	270
Interest	(544)
Distributable Cash	5,552

RECONCILIATION OF CASH FLOW FROM OPERATIONS TO DISTRIBUTABLE CASH

\$000s	For the three months ended March 31, 2007
Cash flow from operations	(1,728)
Changes in non-cash working capital items	7,330
Interest income	5,602 (50)
Distributable Cash	5,552
Distributions funded from financing activities	2,931
Combined total distributions paid or payable⁽¹⁾	8,483
Payout ratio⁽²⁾ – combined unitholders	153%

(1) Combined total distributions paid or payable is calculated as total units outstanding of 28,275,094 multiplied by the approved distributions for the period of \$0.30 per unit.

(2) Payout ratio is a fraction of which distributions paid or payable of \$8,482,528 is the numerator and distributable cash of \$5,552,501 is the denominator.

DISTRIBUTABLE CASH

In the calculation of distributable cash management has not provided a reserve for maintenance capital expenditures. Currently all significant maintenance expenditures have been expensed within the current period and no required maintenance have been deferred on any equipment. In addition, since commencement of operations in September of 2006, the Trust has added approximately \$40 million in additional equipment financed by debt and operating leases that have increased the capacity of each segment by at least 25%.

In light of the current significant weakening of the energy sector activity and current lower equipment utilization, management believes that the significant capital expenditures incurred in the prior period for the replacement of older equipment and increase in capacity, provide the Trust with the capacity to sustain operations into 2008 without the need for any significant additional maintenance capital expenditures.

Further capital expenditures for the year, to the extent they are approved, will be targeted toward the gravel crushing operations that have confirmed work into 2008 that exceed present capacity levels.

It is anticipated that a return to more normal levels of energy sector activity will require a future provision for maintenance capital expenditures in 2008 to replace older equipment. It is anticipated that this provision will be in the range of \$3.5 million to \$6.5 million per annum depending on future activity levels and equipment utilization.

Cash used in operations

Excluding the effects of changes in non-cash working capital items, cash flow from operations for the three months ended March 31, 2007 was \$5,602,501.

Cash provided from financing activities

Cash from financing activities in the net amount of \$1,397,472 were provided from the drawdown of the Trust's operating line of credit of \$10 million which is offset by the distributions of \$8.6 million.

Cash used in investing activities

Investment activities relate to the purchase of new property and equipment assets and the payment of required final purchase price adjustment amounts

DISTRIBUTIONS

Actual distributions paid in the quarter by the Trust to unitholders are as follows:

Distributions to Trust Unit Holders

<u>Record Date</u>	<u>Date Paid</u>	<u>Amount per Unit</u>	<u>Total Distributions</u>
December 31, 2006	January 15, 2007	\$0.10	\$2,676,509
January 31, 2007	February 15, 2007	\$0.10	\$2,676,509
February 28, 2007	March 15, 2007	\$0.10	\$2,676,509

Distributions to Subordinated Unit Holders

<u>Record Date</u>	<u>Date Paid</u>	<u>Amount per Unit</u>	<u>Total Distributions</u>
December 31, 2006	March 23, 2007	\$0.37667	\$568,772

Future distributions and the actual payout ratio will be at the discretion of the Board of Directors of Petrowest Energy Services General Partner Ltd. and may vary depending on the current and anticipated level of activity in the energy services industry as well as the operational performance of the various partnerships.

PROPERTY AND EQUIPMENT EXPENDITURES

Property and equipment asset acquisitions incurred in the quarter were \$3,730,945.

CONTRACTUAL OBLIGATIONS – PAYMENTS DUE BY PERIOD

	<u>As at March 31, 2007</u>				
<u>\$000s</u>	<u>< 1 year</u>	<u>1 - 3 Years</u>	<u>4 - 6 Years</u>	<u>Thereafter</u>	<u>Total</u>
Bank Indebtedness ⁽¹⁾	2,083	22,917	-	-	25,000
Obligations under Capital leases ⁽²⁾	206	640	-	-	846
Operating Leases on Equipment ⁽³⁾	9,490	10,692	958	-	21,140
Operating Leases on Offices, Shop and yards ⁽³⁾	1,438	4,314	719	-	6,471
TOTAL	13,217	38,563	1,677	-	53,457

Notes

- (1) Bank Indebtedness is described under Note 7 to the March 31, 2007 Consolidated Financial Statements.
- (2) Obligations under Capital leases is described under Note 9 to the December 31, 2006 Consolidated Financial Statements.
- (3) Operating lease obligations are described under Note 11 to the March 31, 2007 Consolidated Financial Statements.

LIQUIDITY

Working Capital

\$000s	As at March 31 2007
Accounts receivable	36,596
Prepaid expenses and deposits	2,242
Inventory	3,730
Excess of checks issued over deposits	(116)
Accounts payable and accrued liabilities	(12,065)
Distributions payable	(3,125)
Current portion of revolving equipment loan	(2,083)
Current portion of obligations under capital leases	(206)
Working capital	24,973

Working capital at March 31, 2007 was \$24,973,602 represents a working capital ratio of 2.42 :1.

REVOLVING BANK TERM LOAN

The Trust has a \$60 million operating line of credit facility available for growth capital, acquisition and working needs. Loan security is provided by a first charge debenture, a general security agreement and a general assignment of book debts. No principal repayments are required on the revolving bank term loan until 90 days after the end of the term of the loan. Principle is then repayable in twelve equal quarterly installments over 36 months. No principal payment is required if the loan is renewed. Interest is payable monthly at rates between prime and prime + 1.0% depending on the Trust's debt to EBITDA ratio. Current debt levels require payment of interest at prime.

As at March 31, 2007 the Trust had drawn \$25,000,000 on its credit facility for use in the acquisition of equipment and retirement of purchase price adjustments. \$22,916,667 has been classified a long term as the first quarterly installment payment of \$2,083,333, if requested at the end of the term in November of 2007, would be due February of 2008. The remaining eleven quarterly installments would be repayable over 3 years.

UNITHOLDERS' EQUITY

The Trust is authorized to issue an unlimited number of Trust Units. Prior to the conversion of the Subordinated Units, holders of Trust Units will be entitled to receive per month distributions in priority to any payments on the Subordinated Units.

The Trust is authorized to issue an unlimited number of Subordinated Units. Distributions on the Subordinated Units will be subordinated in favour of Trust Units. Distributions on the Subordinated Units will only be paid at the end of a fiscal quarter to the extent that: (i) the Trust has paid distributions per month of at least \$0.10 per Trust Unit to holders of Trust Units during that quarter, and, (ii) any deficiency in such distributions to holders of Trust Units during the preceding 12 months has been satisfied.

The Trust is authorized to issue an unlimited number of Special Voting Units which are not entitled to any distributions. No Special Voting Units have been issued to date.

Issued	Outstanding	\$000's
Trust Units issued for cash net of issue costs	14,000,000	128,118
Trust Units issued on acquisitions (note 4)	<u>12,765,094</u>	<u>127,651</u>
Total Units	26,765,094	255,769
Subordinated Units		
Issued for cash	1,510,000	1,510
Issued for promissory notes	-	3,020
Less: Amount issued for promissory notes	<u>-</u>	<u>(3,020)</u>
Basic and Fully Diluted	<u>28,275,094</u>	<u>257,279</u>

Trust Units were issued on closing of the initial public offering on September 7, 2006 at a price of \$10.00 per unit. Trust issue costs in conjunction with the offering were \$11,882,043.

Prior to the IPO, the Trust issued to various insiders an aggregate of 1,510,000 Subordinated Units at a price of \$3.00 per Subordinated Unit, \$4,530,000 in the aggregate to be satisfied by payment of \$1.00 in cash and \$2.00 by way of a three-year promissory note that may be forgiven at the option of the Trust over three years if the subscriber remains as a director, officer or employee of Petrowest.

RELATED PARTY TRANSACTIONS

Petrowest paid rents for office and shop space under leases entered into with certain former vendors in the amount of \$321,460. Future lease commitments associated with the transactions are included in note 13 to the financial statements.

Transactions were estimated to equal fair market value.

FINANCIAL INSTRUMENTS

On January 1, 2007, the Trust adopted the new CICA Handbook sections *3855 - Financial Instruments – Recognition and Measurement*, *1530 – Comprehensive Income*, and *3865 – Hedges*. The financial instruments standard establishes the recognition and measurement criteria of financial assets, financial liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities as defined by the standard.

Financial assets and financial liabilities held-for-trading are measured at fair value with changes in those fair values recognized in net earnings (loss). Financial assets available-for-sale is measured at fair value, with changes in those fair values recognized in other comprehensive income (loss). Financial assets held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization. The methods used by the Trust in determining the fair value of financial instruments are unchanged as a result of implementing the new standard.

The Trust has no financial instruments or activities that give rise to other comprehensive income (loss). The Trust's cash and cash equivalents are designated as held-for-trading and are measured at carrying value, which approximates fair value due to the short-term nature of these instruments. Accounts receivable are designated as loans and receivables. Accounts payable and accrued liabilities, distribution payable, and the credit facility are designated as other liabilities and are recorded at cost.

CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICIES

Critical Accounting Estimates

The unaudited interim consolidated financial statements for the quarter ended March 31, 2007 have been prepared in accordance with the accounting policies described in the notes to the annual audited financial statements posted on SEDAR. As a normal part of the financial statement preparation process, management is required to make estimates and assumptions based on information available as at the financial statement date. These estimates and assumptions affect the reported amounts of assets and liabilities, the possible disclosure of contingent assets and liabilities at the date of the financial statements and the amount of revenue and expense reported for the period.

Although estimates and assumptions must be made during the financial statement preparation process, it is management's opinion that none of the estimates or assumptions were highly uncertain at the time they were made. The most significant estimates in Petrowest's financial statements are the amortization period for property and equipment, valuation of assets in the purchase equation, assumptions used in the binomial valuation methodology and recoverability of accounts receivable.

KEY RISKS AND UNCERTAINTIES

Risks are detailed in the Trust's prospectus dated August 28, 2006 which is available in electronic form at www.sedar.com and will be detailed in the Trust's Annual Information Form and the Audited Consolidated Financial Statements and Management Discussion and Analysis for the year ended December 31, 2006 which will be available in electronic form at www.sedar.com after March 31, 2007.

FINANCIAL DISCLOSURES

During the period ended March 31, 2007, no change occurred to Petrowest's internal control over financial reporting that has materially affected or is reasonably likely to materially affect Petrowest's internal control over financial reporting.

The Chief Executive Officer and the Chief Financial Officer continue to evaluate the effectiveness of Petrowest's disclosure controls and procedures taking into consideration the functions performed by its Disclosure Committee, the review and oversight of all executive officers and the board, as well as the process and systems in place for filing regulatory and public information. Petrowest's established review process and disclosure controls are designed to ensure that all required information, reports and filings required under Canadian securities legislation are properly submitted and recorded in accordance with those requirements over financial reporting as of March 31, 2007 pursuant to the requirements of Multilateral Instrument 52-109 of the Canadian Securities Administrators.

Petrowest has integrated nine private companies and completed the data conversion of the existing accounting systems within the Acquired companies to a common accounting system platform. All nine entities were live on the new accounting platform as at January 1, 2007.

As part of the Trust's transition from nine owner managed control environments that existed in the Acquired Companies to an acceptable public company control environment, the Trust engaged third party consultants to assist with the design, documentation and testing of original internal control systems, new proposed improvements, interim measures during the conversion and planned implementation on completion of the conversion. By their nature certain planned controls, or controls that would exist on completion of the data conversion, could not be tested because they were not fully operational at the time of testing.

Based on the ongoing evaluations performed, the CEO and CFO have concluded that the design and operation of the Trust's disclosure controls and procedures were effective as at March 31, 2007 to ensure that information required to be disclosed by the Trust in reports filed under Canadian securities laws is gathered, recorded, processed, summarized and reported within the time periods specified under Canadian securities laws and is accumulated and communicated to management, including the CEO and CFO, to allow timely decisions regarding required disclosure as required under Canadian securities laws.

Further, based on the Trust's mitigating procedures, the CEO and the CFO have satisfied themselves that potential weaknesses in controls as described in the 2006 year end management discussion and analysis, have not resulted in material errors in the financial statements of the current quarter. Management and the Board of Directors are committed to transparency and completeness of financial reporting and disclosure. The existence of the identified control weaknesses need not necessarily be interpreted as evidence of a lack of integrity, of unsound business practices or of unacceptable risks to its shareholders and other related parties.

It should be noted that while Petrowest's principal executive officer and principal financial officer believe that Petrowest's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that Petrowest's disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate

OUTLOOK

Petrowest believes it will exit the year on an upward trend and with a strong balance sheet. The projected 2007 exit Debt to EBITDA ratio target is 1.37 times or less and the projected annual average distribution to EBITDA ratio is 85% or less.

The Petrowest 2007 projections are based on the following facts and assumptions:

- The projected accretiveness of the pending acquisitions.
- Larger regional footprint in northern Alberta and British Columbia.
- The current positive working capital balance of \$25.0 million.
- Current long term debt of \$25.8 mm versus line of credit of \$60 million.
- Minimal growth capital required to the end of 2007.
- Improving natural gas prices and continued strong oil price.
- Clients expressing confidence in a more active second half based on expanded budgets.
- Implementation of a DRIP program.
- A participation rate (averaging 75 % take up) by the active founding vendors in the new DRIP program.

Management and the Board of Directors of Petrowest recognize that the exit numbers at the end of 2007 are sustainable only in the short term. Long term distribution payout ratios at or less than 75% and debt to EBITDA ratios of less than 1:1 are still the primary objectives for sustainable operations and long term stable growth of the Trust.

Based on the above facts and assumptions, and recognizing the long term primary objectives of the Trust, Management and the Board of Directors have elected to maintain distributions at the current level. However, changes to circumstances, indications of a prolonged downturn in energy activity, or current unforeseen circumstances including the failure of the base business operations or the new acquisitions to perform as expected could result in the necessity for future distribution cuts to ensure satisfactory year end exit numbers and that the Trust will exit the year end on an upward trend.

ADDITIONAL CORPORATE INFORMATION

Additional information relating to the Trust including the Trust's Annual Information Form, can be found on SEDAR at www.sedar.com and on the Trust's website at www.petro-west.com

FORWARD LOOKING STATEMENTS

Certain information and statements contained in this MD&A constitute forward-looking information, including the anticipated costs associated with the purchase of capital equipment, expectations concerning the nature and timing of growth within the various business units operated through affiliates of the Trust, expectations respecting the competitive position of such business units, expectations concerning the financing of future business activities, statements as to future economic and operating conditions, oil sands production and investment, oil sands reserves and revenues from oil and gas and non-oil and gas activities. **Readers should review the cautionary statement respecting forward-looking information that appears below. Any forward statements are made as of the date hereof and the Trust does not undertake to publicly update and review such statements to reflect new events, subsequent events or otherwise.**

*The information and statements contained in this MD&A that are not historical facts are forward-looking statements. Forward-looking statements (often, but not always, identified by the use of words such as "seek", "plan", "continue", "estimate", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "expect", "may", "anticipate" or "will" and similar expressions) may include plans, expectations, opinions, or guidance that are not statements of fact. Forward-looking statements are based upon the opinions, expectations and estimates of management as at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. These factors include, but are not limited to, such things as changes in industry conditions (including the levels of capital expenditures made by oil and gas producers and explorers), the credit risk to which the Trust is exposed in the conduct of its business, fluctuations in prevailing commodity prices or currency and interest rates, the competitive environment to which the various business units are, or may be, exposed in all aspects of their business, the ability of the Trust's various business units to access equipment (including parts) and new technologies and to maintain relationships with key suppliers, the ability of the Trust's various business units to attract and maintain key personnel and other qualified employees, various environmental risks to which the Trust's business units are exposed in the conduct of their operations, inherent risks associated with the conduct of the businesses in which the Trust's business units operate, timing and costs associated with the acquisition of capital equipment, the impact of weather and other seasonal factors that affect business operations, availability of financial resources or third-party financing and the impact of new laws or changes in administrative practices on the part of regulatory authorities. Forward-looking information respecting the anticipated costs associated with the purchase of capital equipment are based upon historical prices for various classes of equipment, expectations relating to the impact of inflation on the future cost of such equipment and management's views concerning the negotiating leverage of the Trust and its affiliates. Forward-looking information concerning the nature and timing of growth within the various business units is based on the current budget of the Trust (which is subject to change), factors that affected the historical growth of such business units, sources of historic growth opportunities and expectations relating to future economic and operating conditions. Forward-looking information concerning the future competitive position of the Trust's business units is based upon the current competitive environment in which those business units operate, expectations relating to future economic and operating conditions and current and announced build programs and other expansion plans of other organizations that operate in the energy service business. Forward-looking information concerning the financing of future business activities is based upon the financing sources on which the Trust and its predecessors have historically relied and expectations relating to future economic and operating conditions. Forward-looking information concerning future economic and operating conditions is based upon historical economic and operating conditions, opinions of third-party analysts respecting anticipated economic and operating conditions. Although management of the Trust believes that the expectations reflected in such forward looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. **Accordingly, readers should not place undue reliance upon any of the forward-looking information set out in this MD&A.** All of the forward looking statements of the Trust contained in this MD&A are expressly qualified, in their entirety, by this cautionary statement. The various risks to which the Trust is exposed are described under "Key Risks and Uncertainties" herein and under "Risk Factors" detailed in the Trust's prospectus dated August 28, 2006 and the Trust's Annual Information Form dated April 2, 2007*

Petrowest Energy Services Trust
Consolidated Balance Sheet (unaudited)

\$000's

Assets	March 31, 2007	December 31, 2006
Current assets		
Cash and cash equivalents	-	9,312
Accounts receivable	36,596	38,498
Prepaid expenses and other	2,242	1,517
Inventory	<u>3,730</u>	<u>3,454</u>
	42,568	52,781
Property and equipment (note 5)	89,305	91,298
Intangible assets (note 6)	51,258	53,438
Goodwill (note 4)	<u>97,949</u>	<u>98,068</u>
	<u>281,080</u>	<u>295,585</u>
 Liabilities		
Current liabilities		
Bank overdraft	116	-
Accounts payable and accrued liabilities	12,065	20,296
Distributions payable	3,125	3,245
Purchase Price Adjustment Payable (note 4)	-	6,422
Current portion of obligations under capital leases	206	87
Current portion of revolving bank term loan (note 7)	<u>2,083</u>	<u>-</u>
	17,595	30,050
Obligations under capital leases	640	169
Revolving bank term loan (note 7)	<u>22,917</u>	<u>15,000</u>
	<u>41,152</u>	<u>45,219</u>
 Unitholders' Equity		
Units (note 8)	257,279	257,279
Contributed surplus	628	358
Accumulated earnings	1,154	3,379
Accumulated cash distributions to unitholders	<u>(19,133)</u>	<u>(10,650)</u>
	<u>239,928</u>	<u>250,366</u>
	<u>281,080</u>	<u>295,585</u>
Commitments (note 11)		
Subsequent events (note 13)		

See accompanying notes to the interim unaudited consolidated financial statements

Approved on behalf of the board:

Ken Drysdale

Gerald Romanzin

Petrowest Energy Services Trust

Consolidated Statement of Loss, Comprehensive Loss and Accumulated Earnings

For the three months ended March 31, 2007

(Unaudited)

	\$000's
Revenue	<u>32,863</u>
Expenses	
Operating expenses	25,346
General and administrative	1,691
Interest	544
Amortization	<u>7,311</u>
	<u>34,892</u>
	<u>(2,029)</u>
Other income	
Loss on disposal of property and equipment	(246)
Interest income	<u>50</u>
	<u>(196)</u>
Net loss and comprehensive loss for the period	(2,225)
Accumulated earnings- beginning of period	<u>3,379</u>
Accumulated earnings- end of period	<u>1,154</u>
Net loss per unit - basic and diluted (note 8)	<u>(\$0.08)</u>

See accompanying notes to the interim unaudited consolidated financial statements

Petrowest Energy Services Trust

Consolidated Statement of Cash Flows

For the three months ended March 31, 2007

(Unaudited)

	\$000's
Cash provided by (used in)	
Operating activities	
Net loss for the period	(2,225)
Items not affecting cash	
Amortization of tangible assets	5,131
Amortization of intangible assets	2,180
Unit-based compensation	270
Loss on disposal of property and equipment	<u>246</u>
	<u>5,602</u>
Changes in non-cash working capital	
Accounts receivable	1,902
Prepaid expenses	(725)
Inventory	(276)
Accounts payable and accrued liabilities	<u>(8,231)</u>
	<u>(1,728)</u>
Financing activities	
Unitholder distributions	(8,603)
Proceeds from revolving term bank loan	<u>10,000</u>
	<u>1,397</u>
Investing activities	
Adjustments to the Acquisition of Acquired Companies—working capital	119
Proceeds on property and equipment disposals	936
Purchase of property and equipment	(3,730)
Purchase price adjustment	<u>(6,422)</u>
	<u>(9,097)</u>
Decrease in cash and cash equivalents	(9,428)
Cash and cash equivalents, beginning of period	<u>9,312</u>
Bank overdraft, end of period	<u>(116)</u>
Supplementary information	
Interest paid	544
Income taxes paid	-
Non cash transactions	
Property and equipment purchase through capital leases	590

See accompanying notes to the interim unaudited consolidated financial statements

Petrowest Energy Services Trust

Notes to Interim Unaudited Consolidated Financial Statements

1 Nature of the Organization

Petrowest Energy Services Trust (“Petrowest” or the “Trust”) is an open-ended unincorporated mutual fund trust established under and governed by the laws of the Province of Alberta pursuant to the Deed of Trust dated July 6, 2006. Commercial operations of the Trust commenced on September 7, 2006 and Petrowest began publicly trading on the Toronto Stock Exchange on that same day under the trading symbol PRW.UN. As such, since the trust was formed on July 6, 2006, there is no comparable quarter included in these financial statements.

2 Accounting Policies

These consolidated interim financial statements are stated in Canadian dollars and have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”). They follow the same accounting policies as the audited consolidated financial statements for the year ended December 31, 2006, except as discussed below, and should be read in conjunction with these statements.

On January 1, 2007, the Trust adopted the new CICA Handbook sections 3855 - *Financial Instruments – Recognition and Measurement*, 1530 – *Comprehensive Income*, and 3865 – *Hedges*. The financial instruments standard establishes the recognition and measurement criteria of financial assets, financial liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities as defined by the standard.

Financial assets and financial liabilities held-for-trading are measured at fair value with changes in those fair values recognized in net earnings (loss). Financial assets available-for-sale is measured at fair value, with changes in those fair values recognized in other comprehensive income (loss). Financial assets held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization. The methods used by the Trust in determining the fair value of financial instruments are unchanged as a result of implementing the new standard.

The Trust has no financial instruments or activities that give rise to other comprehensive income (loss). The Trust’s cash and cash equivalents are designated as held-for-trading and are measured at carrying value, which approximates fair value due to the short-term nature of these instruments. Accounts receivable are designated as loans and receivables. Accounts payable and accrued liabilities, distribution payable, and the credit facility are designated as other liabilities and are recorded at cost.

3 Seasonality

Petrowest’s operations are in northern Alberta and northeast British Columbia. Accordingly, the operations are susceptible to the impacts of the seasons. Quarter one is in the winter months and is subject to frozen conditions, periods of extreme cold and snow. This is typically a busy quarter for oil and gas exploration and development as drilling activity focuses on areas located in muskeg and swamp type conditions not normally accessible in a non-frozen state. Quarter two is generally the slowest period for Petrowest’s operations. Spring time melt conditions result in soft, wet ground generally referred to as spring breakup, and the implementation of road bans which prevent heavy load transportation on roadways. Quarter three encompasses the summer months, and Petrowest’s activity is average with work relating to oil and gas projects in areas that do not entail access through muskeg. Quarter four starts out similar to the summer activity and ramps up as the ground freezes and access is permitted.

Petrowest Energy Services Trust

Notes to Interim Unaudited Consolidated Financial Statements

4 Acquisitions

Pursuant to a prospectus dated August 28, 2006, Petrowest issued Units of the Trust and used the proceeds, through its subsidiaries, to acquire 100% of the outstanding shares of Safetymaster Rentals Corporation, R Bee Crushing Ltd., Wales Contractors Ltd., Roy Larson Construction Ltd., Gordon Bros. Construction Ltd., 404434 Alberta Corporation, Murtron Hauling Ltd., Neuwest Equipment Rentals Inc, Northern Tractor Sales and Rentals Co. Ltd., and their affiliates ("Acquired Companies"). The estimated purchase price of the Acquired Companies calculated as the base purchase price plus working capital less debt was \$230,934,992, subject to post closing adjustments for actual working capital and debt and the sale of redundant assets.

The Acquisitions have been accounted for using the purchase method with the assets acquired and liabilities assumed recorded at their estimates of fair value. An allocation of the consideration is as follows:

Net assets acquired	\$000's
Cash acquired on acquisition	6,115
Accounts receivable	37,648
Prepaid expenses	680
Inventories	4,158
Accounts payable and accrued liabilities	(27,257)
Income taxes payable	(215)
Property and equipment	82,699
Intangibles	56,223
Goodwill	<u>97,949</u>
Total	<u>258,000</u>

Consideration given for value of shares and shareholder loans of acquired companies

Net cash to vendors	103,284
Cash repayment of working capital adjustments	(2,055)
Purchase price adjustment	6,422
Retirement of long-term debt and capital lease obligations	<u>22,698</u>
	130,349
Trust Units (12,765,094 units issued)	<u>127,651</u>
Total	<u>258,000</u>

5 Property and Equipment

	\$000's		March 31, 2007	December 31, 2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings, portable buildings and fencing	3,774	234	3,540	3,284
Heavy equipment	81,230	8,629	72,601	75,087
Equipment under capital lease	969	43	926	247
Vehicles	2,548	471	2,077	2,281
Trailers	7,784	596	7,188	7,427
Equipment	2,337	578	1,759	1,941
Office furniture and equipment	194	43	151	148
Communications, computer hardware and software	716	168	548	420
Leasehold improvements	<u>47</u>	<u>1</u>	<u>46</u>	<u>46</u>
Subtotal	99,599	10,763	88,836	90,881
Assets under construction	<u>469</u>	<u>-</u>	<u>469</u>	<u>417</u>
	<u>100,068</u>	<u>10,763</u>	<u>89,305</u>	<u>91,298</u>

Petrowest Energy Services Trust
Notes to Interim Unaudited Consolidated Financial Statements

6 Intangible Assets

		\$000's	March 31, 2007	December 31, 2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Non Competition Agreements	26,786	3,009	23,777	25,098
Brand and Trade Names	5,387	605	4,782	5,048
Customer Relationships	<u>24,050</u>	<u>1,351</u>	<u>22,699</u>	<u>23,292</u>
Total	<u>56,223</u>	<u>4,965</u>	<u>51,258</u>	<u>53,438</u>

7 Revolving Bank Term Loan

The Trust has a \$60 million credit facility available for growth capital, acquisition and working capital needs. Loan security is provided by a first charge debenture, a general security agreement and a general assignment of book debts. The credit facility has a one year revolving term which may be extended over an additional 364 days at the discretion of the lender on application by the trust. No principal repayments are required until 90 days after the end of the term of the loan. Principal is then repayable in twelve equal quarterly installments over 36 months. Interest is payable monthly at floating rates between prime and prime + 1.0% depending on the Trust's debt to trailing twelve month EBITDA ratio. The term "EBITDA" is defined as: earnings before interest expenses net of interest income, gain on disposal of assets, amortization of property and equipment and amortization of intangible assets.

Current debt levels require payment of interest at prime.

As at March 31, 2007 the Trust had drawn \$25,000,000 on its credit facility for use in the acquisition of equipment. If requested at the end of the term in November of 2007, the first quarterly principal payment would not be due until February 2008 and \$2,083,333 has been reported as the current portion.

Principal payments due in the next four years as at March 31, 2007 are as follows:

	\$000's
2007	-
2008	2,083
2009	8,333
2010	8,333
2011	6,251

8 Unitholders' Capital

Authorized

The Trust is authorized to issue an unlimited number of Trust Units. Holders of Trust Units will be entitled to receive monthly distributions to the extent declared by the Trust's Board of Trustees in priority to any payments on the Subordinated Units.

Petrowest Energy Services Trust

Notes to Interim Unaudited Consolidated Financial Statements

8 Unitholders' Capital - continued

Issued

	\$000's	
	Outstanding	
Trust Units issued for cash net of issue costs	14,000,000	128,118
Trust Units issued on acquisitions (note 3)	<u>12,765,094</u>	<u>127,651</u>
Total Units	26,765,094	255,769
Subordinated Units		
Issued for cash	1,510,000	1,510
Issued for promissory notes	-	3,020
Less: Amount issued for promissory notes	<u>-</u>	<u>(3,020)</u>
Basic and fully diluted – December 31, 2006 and March 31, 2007	<u>28,275,094</u>	<u>257,279</u>

Trust Units were issued on closing of the initial public offering on September 7, 2006 at a price of \$10.00 per unit. Trust issue costs in conjunction with the offering were \$11,882,043.

Prior to the IPO, the Trust issued to various insiders an aggregate of 1,510,000 Subordinated Units at a price of \$3.00 per Subordinated Unit, \$4,530,000 in the aggregate to be satisfied by payment of \$1.00 in cash and \$2.00 by way of a three-year promissory note that may be forgiven at the option of the Trust over three years if the subscriber remains as a director, officer or employee of Petrowest.

9 Stock Based Compensation

Petrowest implemented a stock option plan whereby options to acquire Trust Units may be granted to directors, officers, employees and consultants.

The aggregate number of Trust units issuable upon the exercise of options outstanding under the plan at any time may not exceed 10% of the issued and outstanding Trust Units. The period during which an option granted under the Plan is exercisable may not exceed five years from the date such option is granted. The options issued under the Plan vest 1/3 after one year, 1/3 after two years and 1/3 after three years.

As at March 31, 2007	Number of options outstanding	Weighted average exercise price
Granted – September 7, 2006	2,605,000	\$10.00
Expired	-	-
Outstanding, December 31, 2006 and March 31, 2007	2,605,000	\$10.00
Exercisable, December 31, 2006 and March 31, 2007	-	-

The Trust recorded compensation expense and contributed surplus of \$270,000 for the three months ended March 31, 2007. Compensation expense has been included in general and administrative expenses.

Petrowest Energy Services Trust

Notes to Interim Unaudited Consolidated Financial Statements

10 Related Party Transactions

Petrowest paid rents for office and shop space under leases entered into with certain former vendors in the amount of \$321,460. Future lease commitments associated with the transactions are included in note 11.

Transactions were estimated to equal fair market value.

11 Commitments

The Trust has entered into operating leases for office and shop premises and equipment that provide for minimum annual lease payments in the twelve month periods ending as follows:

	\$000's
March 31, 2008	10,928
March 31, 2009	9,100
March 31, 2010	5,944
March 31, 2011	4,018
March 31, 2012	2,396

12 Segmented Information

The Trust determines its reportable segments based on the structure of its operations, which are primarily focused on four principal business segments – Construction, Transportation, Civil and Rentals. The following is selected financial information for each business segment.

	For the three months ended March 31, 2007				(unaudited)	
	Construction	Transportation	\$000's Civil	Rentals	Corporate	Total
Total Revenue	10,661	12,232	9,976	2,365	-	35,234
Less inter-segment revenue	<u>(677)</u>	<u>(925)</u>	<u>(25)</u>	<u>(744)</u>	-	<u>(2,371)</u>
Revenue	9,984	11,307	9,951	1,621	-	32,863
Operating and general and administrative	7,663	9,507	6,809	1,367	1,691	27,037
Interest Expense	4	3	38	3	496	544
Interest income	(1)	(1)	(0)	(0)	(48)	(50)
Loss on disposal of equipment	83	4	159	-	-	246
Amortization	<u>2,309</u>	<u>1,816</u>	<u>1,497</u>	<u>1,521</u>	<u>168</u>	<u>7,311</u>
Net loss	<u>(74)</u>	<u>(22)</u>	<u>1,448</u>	<u>(1,270)</u>	<u>(2,307)</u>	<u>(2,225)</u>

Petrowest Energy Services Trust

Notes to Interim Unaudited Consolidated Financial Statements

12 Segmented Information - continued

	As at March 31, 2007					(unaudited)	
Selected balance sheet items	Construction	Transportation	Civil	Rentals	Corporate	Total	
Property and equipment	28,221	18,580	21,504	19,164	1,836	89,305	
Intangibles	15,202	18,752	9,063	8,241	-	51,258	
Goodwill	26,800	31,539	26,225	13,385	-	97,949	

All transactions between segments were initially recorded at approximate market rates. Transactions between segments have been eliminated on consolidation.

13 Subsequent Events

On May 9, 2007 Petrowest entered into agreements to acquire all of the outstanding shares and shareholder loans of Cutbank Trucking Ltd. and Cutbank Transport Ltd., (collectively, "Cutbank"), Jim Moffatt Construction Ltd. and 921639 Alberta Ltd., (collectively, "Jim Moffatt Construction"), Quigley Contracting Ltd, 529805 B.C. Ltd. and LMQ Enterprises Ltd., (collectively, "Quigley Contracting Ltd."), Rick's Mechanical Services Ltd. and Tri-Dave Gravel Sales Ltd (the "Acquired Companies"). The maximum total purchase price for the Acquired Companies will be approximately \$94.2 million, comprised of the payment of approximately \$50.4 million in cash, the issuance of approximately 4.3 million trust units of Petrowest and the assumption of approximately \$10.2 million of debt of the Acquired Companies (assuming a trust unit price of \$7.75). The effective maximum total purchase price is reduced by changes in working capital for the period from January 1, 2007 to closing which accrue to the benefit of Petrowest. In addition, the terms of the agreements require minimum working capital on the acquisitions to be approximately \$11.1 million in the aggregate. It is estimated that actual cash balances acquired on closing will be in excess of \$6.0 million. The revenue generated by these companies in aggregate over their last fiscal year was approximately \$76.6 million.

The Acquisitions will be accounted for using the purchase method with the assets acquired and liabilities assumed recorded at their estimates of fair value. Approximate consideration is subject to normal course post closing adjustments.

Cutbank Trucking Ltd. and Cutbank Transportation Ltd. are operated together as one business and specialize in hauling logs and gravel and the provision of log loading equipment in Grande Prairie, Alberta. Cutbank Trucking Ltd. was formed in 1972 and Cutbank Transportation Ltd. was formed in 1997.

Jim Moffatt Construction Ltd. is a lease and road building company operating in northern Alberta. Jim Moffatt Construction Ltd. was formed in 1992 and operates from its base in Worsley, Alberta. In addition to lease and road building, Jim Moffatt Construction Ltd. also operates a 250-man camp permanently located in Worsley.

Rick's Mechanical Services Ltd. is a mid-size lease and road builder based in Peace River, Alberta. Rick's Mechanical Services Ltd. was formed in 1993 and has achieved a positive working relationship with the Woodland Cree First Nation in providing services to oil sand developers operating on the traditional lands of the Woodland Cree First Nation.

Petrowest Energy Services Trust

Notes to Interim Unaudited Consolidated Financial Statements

13 Subsequent Events - continued

Quigley Contracting Ltd. is a lease and road building companies operating in Fort St. John, British Columbia. Quigley Contracting Ltd. was formed in 1990 by Rick Quigley. The acquisition of Quigley Contracting Ltd. will expand Petrowest's geographical footprint into the northern regions of British Columbia.

Tri-Dave Gravel Sales Ltd. is a gravel crushing operation that operates in the Edmonton area. Tri-Dave Gravel Sales Ltd. was formed in 1984. Tri-Dave Gravel Sales Ltd. will provide additional capacity to Petrowest's crushing operations conducted by R. Bee Crushing.

The trust units issued pursuant to the acquisitions will be subject to escrow, with 25% of such units to be issued on the first anniversary of closing and the remainder on the second anniversary of closing.

Effective May 1, 2007, Petrowest signed a memorandum of understanding for the acquisition of the road construction equipment assets owned by a subsidiary of the Woodland Cree First Nations ("WCFN") for \$4.0 million. In conjunction with the asset purchase, Petrowest and WCFN will enter into a major strategic alliance, structured as a joint venture, which will see Petrowest provide a combination of services within the WCFN traditional lands.

On April 27, 2007, Petrowest approved the implementation of a DRIP program which provides the opportunity for unitholders to reinvest the cash distributions towards the purchase of additional units from treasury at a price equal to 95% of the average market price based on weighted average trading prices for the ten days prior to distribution payment date.

Q1 2007

First Quarter Interim Report
Three months ended March 31, 2007



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Kenneth N. Drysdale
President, Chief Executive Officer &
Director

John B. Paul, CA
Chief Financial Officer

BOARD OF DIRECTORS

D. Hugh Gillard
Chairman of the Board

Rene Amirault
Director

Walter DeBoni
Director

Gerald A. Romanzin, CA
Director

Kenneth N. Drysdale
Director

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