PETROWEST ENERGY SERVICES TRUST ANNOUNCES SECOND QUARTER RESULTS

Calgary, Alberta, August 14, 2007 **-** Petrowest Energy Services Trust (TSX:PRW.UN) announced today its financial results for the three and six months ended June 30, 2007. During Q2 the Trust focused its business efforts on infrastructure, logging, conventional oil exploration and oil sand construction related projects. Management has achieved success with these in its efforts in the month of June, with less reliance being placed on natural gas exploration related projects in northern Alberta and British Columbia.

Historically, Petrowest's current businesses have been comprised of approximately two thirds oil and gas drilling related activities and one third industrial and infrastructure activities. Financial performance of the Trust in Q2 continued to be impacted by the ongoing weakness of the natural gas energy sector that commenced in early 2007. Projects related to natural gas exploration and development accounted for less than 7% of the Trust's total revenues in Q2. In Q3 management has continued to focus on business opportunities outside of the natural gas sector.

During the second quarter, Petrowest successfully acquired five companies to expand the Trust's geographical footprint, penetrate the Peace River oil sands and position the Trust for better growth opportunities once natural gas commodity prices improve.

FINANCIAL HIGHLIGHTS AND OVERVIEW

DISTRIBUTABLE CASH FLOW

Q2 distributable cash flow was $464,000, representing a decrease of $5,118,000 from Q1 results.

Two major factors contributing to the decline included:

- Low equipment utilization rates with the decline in natural gas drilling activity impacted the Trust's Construction, Transportation and Rental's segments. Additionally, an extended spring breakup and unusually wet weather affected the demand for services in all divisions.
- Decreased margins due to fixed operating costs.

Action taken to resolve challenges and strengthen financial position:

- Distributions reduced by 40% to $0.06 per unit effective for the month of July 2007.
- Distribution reinvestment plan ("DRIP") implemented April 27, 2007.
- Acquisitions of five companies were completed on May 18, 2007 for aggregate consideration of $93.1 million, strengthening and expanding the Trust's Civil, Construction and Transportation business segments and expanding the Trust's geographical footprint further north in Alberta to the Peace River, High Level, Rainbow Lake areas of the province and in British Columbia expansions north to Fort St. John and Fort Nelson.
- Business alliance with the Woodland Cree First Nation entered into and relationships expanded in Peace River oil sands development.

NET LOSS AND NET LOSS PER UNIT

Q2 Net loss of $21.1 million on the basis of the weighted average units outstanding- basic and fully diluted:

- Net loss per unit ($0.69) for the three months ending June 30, 2007.
- Net loss per unit ($0.79) for the six months ending June 30, 2007.

Q2 loss was impacted by Future income tax charge required to be recorded in the period as a result of the enactment of the new SIFT taxation rule. Future income tax charge in Q2 was $11.97 million. The net loss excluding future income tax charges were as follows on the basis of the weighted average units outstanding, basic and fully diluted:

- Net loss per unit before income tax adjustment ($0.30) for the three months ending June 30, 2007.
- Net loss per unit before income tax adjustment ($0.38) for the six months ending June 30, 2007.

OUTLOOK

- Efforts have been undertaken to improve the balance sheet, profitability, debt levels and payout ratios for year end 2007 by initiating cost cutting measures, additional equipment cross utilization and less reliance on natural gas exploration activity.
- The distribution cut of 40% to $0.06 per unit made in July, 2007 is expected to save approximately $7.5 million in cash over the balance of 2007 and facilitating a planned debt reduction of $5.0 million by year end. A Debt to EBITDA ratio below 2 to 1 is expected to be maintained.
- Projected annual average distribution to EBITDA payout ratio of approximately 100% for the year ended December 31, 2007.

Financial measures and operational measures taken to date are expected to result in the Trust exiting 2007 with an improved balance sheet and sustainable payout ratio moving forward to 2008.

$000's except per unit amounts, margins and ratios	For the three months ended June 30, 2007	For the six months ended June 30, 2007
FINANCIAL RESULTS		
Revenue	**27,134**	**59,997**
EBITDA	**1,137**	**6,767**
EBITDA margin	**4.2%**	**11.3%**
Future income tax adjustment	**11,969**	**11,969**
Net loss excluding future income tax adjustment	**(9,102)**	**(11,327)**
Net earnings (loss)	**(21,071)**	**(23,296)**
Net earnings (loss) per unit – basic and diluted	**($0.69)**	**($0.79)**
Net earnings (loss) per unit – basic and diluted before Future Income Tax Adjustment	**($0.30)**	**($0.38)**
Total revolving bank term loan and obligations under capital leases (including current portion)	**91,158**	**91,158**
Total Units outstanding	**32,730,381**	**32,730,381**
Weighted Average Units Outstanding – Basic and diluted	**30,355,805**	**29,321,197**
Distributions per unit	**$0.30**	**$0.60**
Payout ratio– combined unitholders	**495%**	**343%**
Unit price – June 30, 2007	**$7.39**	**$7.39**

CONFERENCE CALL

Ken Drysdale, President and Chief Executive Officer, and John Paul, Chief Financial Officer, will host a conference call to discuss the second quarter results on Wednesday, August 15, 2007 at 9:00 a.m. MDT (11:00 a.m. EDT). Interested parties are encouraged to participate by calling 800.590.1508 or 403.398.9531 (in Calgary, Alberta) at least ten minutes before the start of the call in order to participate. For those unable to participate in the live call, a replay will be available until Wednesday 22 August at 877.289.8525 or 416.640.1917 (in Toronto, Ontario) passcode 21243544# and on Petrowest's website (www.petro-west.com).

For further information, please contact Kenneth N. Drysdale, President and Chief Executive Officer, or John B. Paul, Chief Financial Officer, at (780) 830-0881 or info@petro-west.com.

This news release contains forward-looking statements that involve substantial known and unknown risks and uncertainties. These forward-looking statements are identified by their use of terms and phrases such as "anticipate," "achievable," "believe," "expect," "estimate," "plan," "intend," "project," "may," "should", "could", "predict", "may," "will," or similar words suggesting future outcomes or language suggesting an outlook. Forward-looking statements and information are based on Petrowest's current beliefs as well as assumptions made by and information currently available to Petrowest concerning anticipated business performance. Although management of Petrowest considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. Forward-looking statements are subject to many external variables that are beyond Petrowest's control, such as fluctuating prices for crude oil and natural gas, changes in drilling activity, and general local and global economic, political, business and weather conditions. If any of these, or other uncertainties, materialize the actual results of Petrowest may vary materially from those expected.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) is dated August 14, 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 and six months ended June 30, 2007, as well as the MD&A of the "Acquired Companies" contained in the Trust's prospectus dated August 28, 2006, the MD&A of the Trust for the December 31, 2006 year end, the Trust's audited consolidated financial statements for the period ended December 31, 2006 and the Trust's business acquisition report filed on August 1, 2007. 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 and consequently there are no comparable periods included in these financial statements.

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FINANCIAL POSITION AND LIQUIDITY		
Working capital	**14,222**	**14,222**
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Unit price – June 30, 2007	**$7.39**	**$7.39**

[(1)] The terms Net loss excluding future income tax adjustment and Net earnings (loss) per unit – basic and diluted before Future Income Tax Adjustment (note 11) are not measures recognized by Canadian generally accepted accounting principles ("GAAP") and do not have standardized meanings prescribed by GAAP. Net loss excluding future income tax adjustment is calculated by reducing net loss by the amount of the future income tax expense and Net earnings (loss) per unit – basic and diluted before Future Income Tax Adjustment refers to a fraction of which the numerator is Net loss excluding future income tax adjustment and the denominator is the Weighted Average Units Outstanding – Basic and diluted.

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") 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 except where noted.

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 and six months.

NON-GAAP MEASURES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Certain supplementary information and measures not recognized under GAAP are provided in this MD&A where management believes they assist the reader in understanding the Trust's results and where measures are believed to be used by many investors to compare issuers on the basis of their ability to generate cash from operations and sustain distributions.

Accordingly, the Trust uses the term "EBITDA" to refer to earnings before interest, income taxes and 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. Management believes that EBITDA and EBITDA Margin are useful supplementary measures as they provide indications of operating results without regard as to financing or taxation. The term "Net Debt" to refer to the sum of total obligations under capital leases and revolving bank term loan, less working capital. Management believes that this measure is useful as it illustrates the actual debt position of the Trust after realization of working capital net assets. The term "Funds From Operations Before Changes in Non-Cash Working Capital" to refer to cash provided by operating activities before changes to accounts receivable, prepaid expenses and other, inventory and accounts payable and accrued liabilities and income taxes payable; 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 "Funds From Operations Before Changes in Non-Cash Working Capital Per Unit" to refer to a fraction of which the numerator is Funds 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 flow from operating activities and the denominator is the number of Trust units issued; the term "Distributable Cash" to refer to the amount of cash that is expected to be available for distributions to the unitholders; 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. Management believes that these measures provide useful measures in determining the cash generated from operations adjusted for the seasonal impacts of the operations and provide indications of the amounts of cash retained for future growth opportunities, capacity maintenance and debt repayment and ongoing distribution capability. The term "Net loss excluding future income tax adjustment" is calculated by reducing net loss by the amount of the future income tax expense and "Net earnings (loss) per unit – basic and diluted before Future Income Tax Adjustment" refers to a fraction of which the numerator is Net loss excluding future income tax adjustment and the denominator is the Weighted Average Units Outstanding – Basic and diluted. Management believes that these measures provide useful measures in determining the loss from operations adjusted for the impacts of the new SIFT income tax measures.

The terms EBITDA, EBITDA Margin, Net Debt, Funds From Operations Before Changes in Non-Cash Working Capital, Distributions per Unit, Funds From Operating Activities Per Unit, Cash Flow from operating activities per unit, Distributable Cash, Payout Ratio, Net loss excluding future income tax adjustment and Net earnings (loss) per unit – basic and diluted before Future Income Tax Adjustment are not measures recognized by "GAAP", do not have standardized meanings prescribed by GAAP and therefore may not be comparable to performance measures presented by others.

Readers are cautioned that “EBITDA”, “EBITDA Margin”, “Net Debt”, “Funds From Operations Before Changes in Non-Cash Working Capital”, “Distributions per Unit”, “Funds From Operations Before Changes in Non-Cash Working Capital Per Unit”, “Cash Flow From Operating Activities Per Unit” and “Distributable Cash” “Payout Ratio” “Net loss excluding future income tax adjustment” and “Net earnings (loss) per unit – basic and diluted before Future Income Tax Adjustment” should not be considered as alternatives to net earnings, cash flow from operating activities, net loss or other measures of financial performance calculated in accordance with GAAP.

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”, “Wales Contractors” , “Jim Moffatt Construction”, “Quigley Contracting”, and “Rick’s Mechanical” 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”, “Murtron Hauling” and “Cutbank Trucking and Transport” 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, 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”, “Tri-Dave Gravel Sales” 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 producers 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 exploration in areas with muskeg conditions. Wet weather in the spring and early summer months hinder activity. As frost comes out of the ground, road conditions deteriorate and municipalities impose temporary weight restrictions on road surfaces (“road bans”), thus restricting 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.

ACQUISITIONS

September 7, 2006 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. 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 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 $800,000. This amount has been classified as a contingent gain and because collectability is uncertain, has not been recognized for purposes of the calculation of the purchase price adjustment. 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 to reflect this contingent gain, if any, may be material.

The transaction closed on September 7, 2006 and the Trust commenced commercial operations on that date.

May 18, 2007 Acquisitions

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 "Newly Acquired Companies").

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 company 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 estimated purchase price including acquisition costs of the Newly Acquired Companies was approximately $93.1 million.

The May 18, 2007 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	8,963
Accounts receivable	12,235
Prepaid expenses and other	2,412
Inventories	474
Accounts payable and accrued liabilities	(8,875)
Income taxes payable	(986)
Property and equipment	42,134
Intangibles	15,123
Goodwill	21,598
Total	93,078
Consideration paid	
Net cash to vendors	50,869
Acquisition costs	502
Retirement of long-term debt and capital lease obligations	9,391
	60,762
Trust Units (4,351,622 units issued) [1]	32,316
Total	93,078

[1] For the purposes of calculation of the aggregate, the trust units have been attributed a value of $7.4261 each, the five day volume weighted average price before the closing date.

(c) Business Alliance June 18, 2007

On June 18, 2007 Petrowest signed agreements documenting a memorandum of understanding effective May 1, 2007 with the Woodland Cree First Nations ("WCFN") providing Petrowest with the primary right to provide a combination of services on a revenue sharing basis within the WCFN traditional lands for a period of 5 years. In conjunction with the agreements, Petrowest purchased the road construction equipment assets of the WCFN. The total cash consideration paid or payable to the WCFN for the assets and the contractual rights was $4,000,000. Petrowest paid $2,000,000 on closing, retired $1,424,623 of equipment debt subsequent to the quarter end and the remaining $575,377 will be paid once certain post closing conditions being met.

The Trust also issued the WCFN 300,000 warrants to acquire Petrowest units at a strike price of $7.47 per unit. The warrants expire May 1, 2008. The valuation of the warrants has been calculated using a Black-Scholes pricing model.

In return for the consideration, Petrowest will be the primary supplier of services that the Trust is capable of providing on all WCFN Treaty and Traditional Lands for a period of 5 years.

Petrowest has accounted for the transaction as follows:

	$000's
Value of warrant consideration	$ 270
Initial cash consideration	$ 2,000
Remaining purchase consideration payable	$ 2,000
	$ 4,270
Fair Value of Equipment	$ 1,926
Value of business alliance	$ 2,344
Total Consideration	$ 4,270

The business alliance will be amortized on a straight-line basis over 5 years.

In addition the Trust has agreed to provide services in kind valued a market rates to assist in the potential construction and development of a community centre subject to certain conditions being fulfilled and capped to a maximum of $1,000,000.

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 three and six month periods ending June 30, 2007 have no comparative figures for the same period in the previous year, as the Trust was not yet created. For comparative purposes only, Petrowest has provided certain quarterly financial information considered meaningful on the basis that the Acquired Companies had been acquired at January 1, 2006 as prepared by the management of the Acquired Companies on a calendar year basis.

In addition, management has prepared a split of revenue and operating expenses by segment for the three months ended June 30, 2007 to reflect the impact of the Newly Acquired Companies from the date of acquisition on May 18, 2007 to the end of Q2.

$000s *except per unit amounts, margins and ratios*	**Q2 2007**	**Q1 2007**	**Q4-2006**	**Q3-2006 (Stub)** *(1)*
Revenue by segment				
Construction original	3,955	9,984	11,089	2,520
Construction new	3,237			
Transportation original	3,503	11,307	11,954	3,726
Transportation new	2,065			
Civil original	10,920	9,951	10,124	3,697
Civil new	785			
Rentals	2,669	1,621	2,662	964
Total Revenue	27,134	32,863	35,829	10,907
Operating expenses by segment				
Construction original	4,353	7,663	7,820	1,857
Construction new	2,766			
Transportation original	5,448	9,507	9,649	3,052
Transportation new	1,574			
Civil original	9,306	6,809	6,567	2,242
Civil new	492			
Rentals	529	1,367	1,051	604
Total operating expenses	24,468	25,346	25,087	7,755
Administrative Expenses	1,638	1,691	1,291	507
Earnings before other items	1,028	5,826	9,451	2,645
Gain (loss) on disposal of assets	11	(246)	20	58
Interest income	98	50	82	5
EBITDA *(2)*	**1,137**	**5,630**	**9,553**	**2,708**
Income taxes	11,969	-	-	-
Amortization of property and equipment	6,620	5,131	4,682	1,142
Amortization of intangible assets	2,517	2,180	2,113	672
Interest	1,102	544	141	132
Net earnings (loss)	**(21,071)**	**(2,225)**	**2,617**	**762**
Net earnings (loss) per unit basic and diluted	($0.69)	($0.08)	$0.09	$0.03

Notes

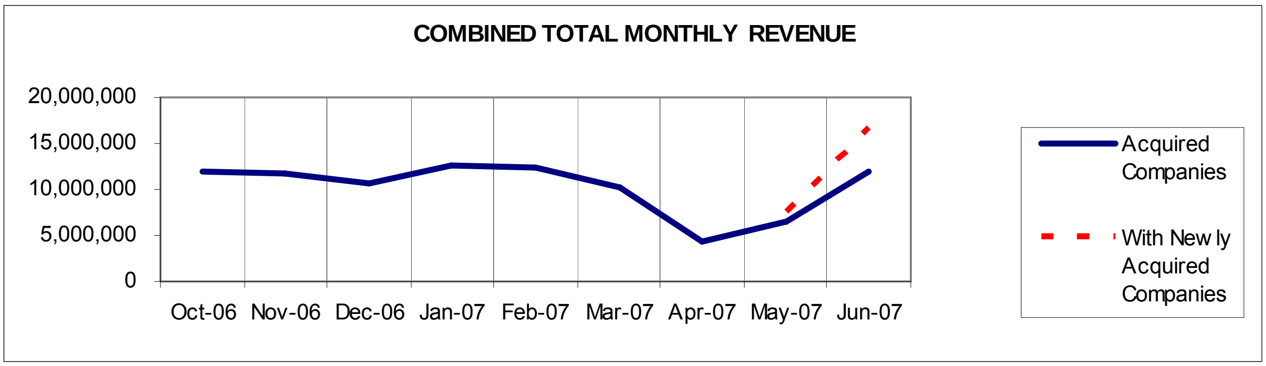
(1) Q3-2006 Stub is for the period from September 7, 2006 to September 30, 2006.

(2) The terms EBITDA and ADJUSTED EBITDA are not measures recognized by GAAP and do not have standardized meanings prescribed by GAAP.

REVENUE

Total revenue for the three and six months ended June 30, 2007 was $27,133,851 and $59,996,757. This represents a decrease of 18% and 26%, respectively, over the same periods in 2006. The decline is due to sharply lower gas drilling activity as well as the adverse weather conditions, and extended spring break up resulting from the heavy snowfalls in the Trust's operating areas. While the Trust is diversified, and provides services to commercial, infrastructure, logging and oil sands clients, oil and gas conventional drilling historically has accounted for approximately two thirds of the Trust's revenue. The Newly Acquired Companies contributed 22% of total revenues in Q2.

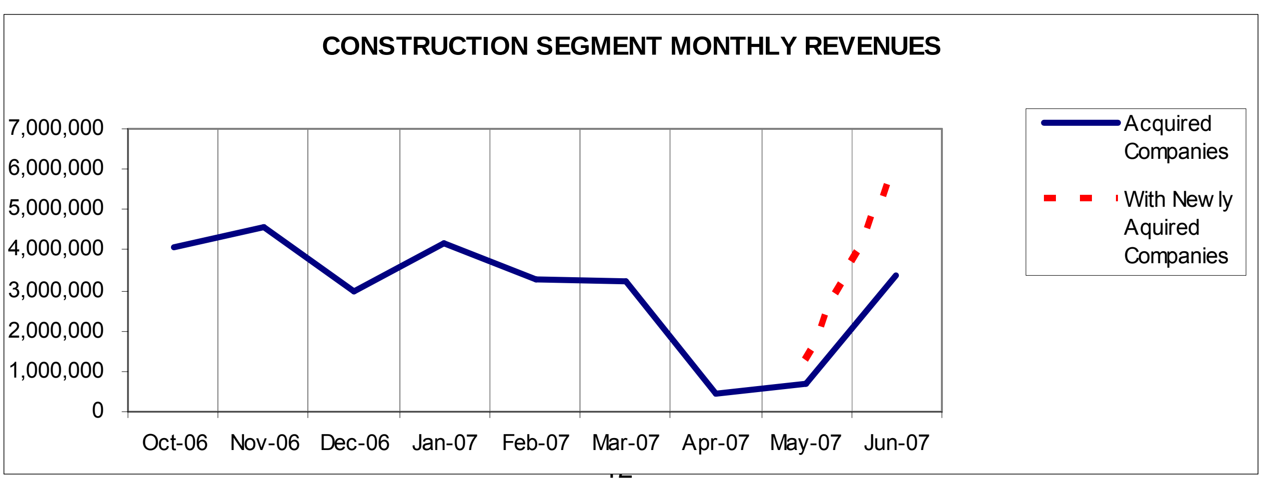
The Canadian Association of Oilwell Drilling Contractors ("CAODC") estimates that wells drilled and completed in the WCSB will decline by approximately 26% from 2006 levels to approximately 16,233 wells for 2007. This projected decline is virtually identical to the current volume declines experienced to the end of Q2.



Construction Segment

Q2 was extremely difficult for this division with significant declines due to the effects of weather and lower gas exploration activity. The expected busy winter months effectively peaked in November, declined in December due to the holidays and rebounded slightly in January. The balance of the winter declined sharply until an early spring shutdown and did not begin to pick up again until late May. Excluding the contribution of the Newly Acquired Companies, overall revenue declines were approximately 60% and 42% for the three and six month periods to June 30, 2007 over the revenues of the predecessor companies during the same period in 2006. The Newly Acquired Companies generated approximately $3.2 million of the $7.2 million or 44% of the Q2 revenue for this segment.

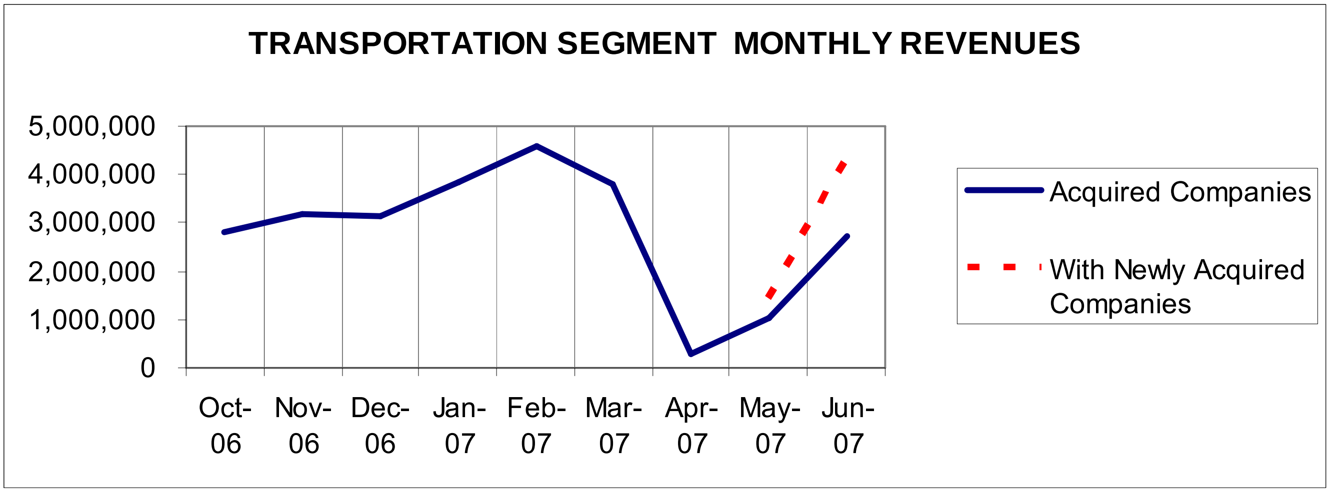
Demand for services in the month of June rebounded strongly and barring wet summer weather conditions, indications are that this segment has the potential to perform strongly throughout Q3. The outlook for Q4 of 2007 and Q1 of 2008 is still uncertain but managements marketing initiatives focused on work associated with the Peace River oil sands development, including the business alliance established with the Woodland Cree First Nation, is expected to offset the ongoing natural gas drilling downturn.



Transportation Segment

The transportation segment business has two main components. The first being drilling rig mobilization and demobilization services and the second being lighter hauling, primarily log hauling in the winter months and gravel hauling in the summer. The rig moving operation has historically been the largest single business operation in the Trust and was severely impacted by the drilling downturn. Consequently, given its relative size, the downturn has had a greater overall impact to the Trust.

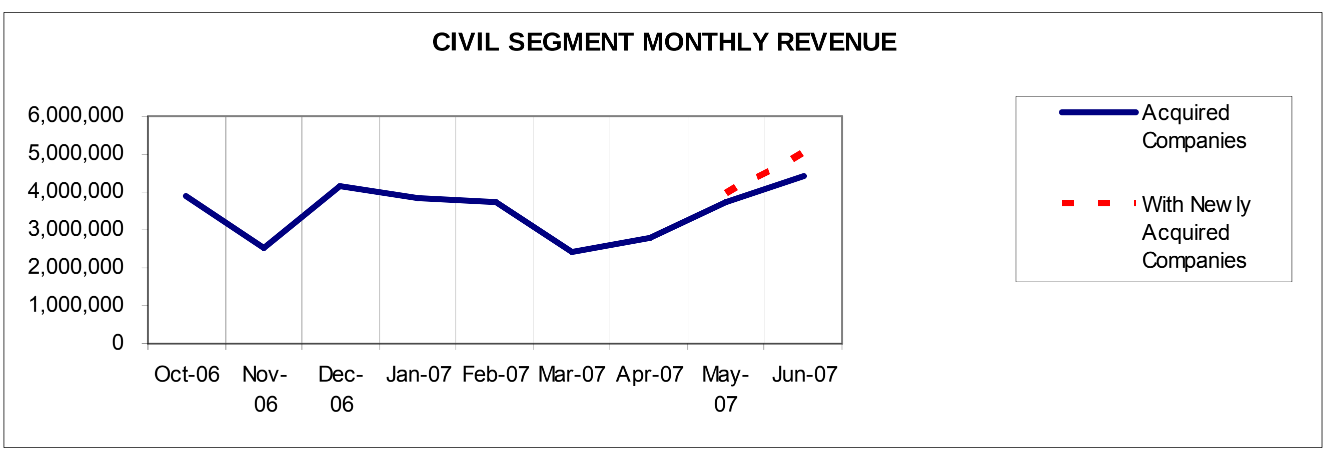
While log hauling activity was very strong, both operational units where impacted by the above normal snowfalls in the first half of 2007. Excluding the revenue contributions of the Newly Acquired Companies revenue declines were approximately 63% and 53% for the three and six month periods to June 30, 2007 over the same period in 2006. In Q2, the Newly Acquired Companies generated approximately $2.1 million of the $5.6 million or 38% of the Q2 revenue for this segment.



Civil Segment

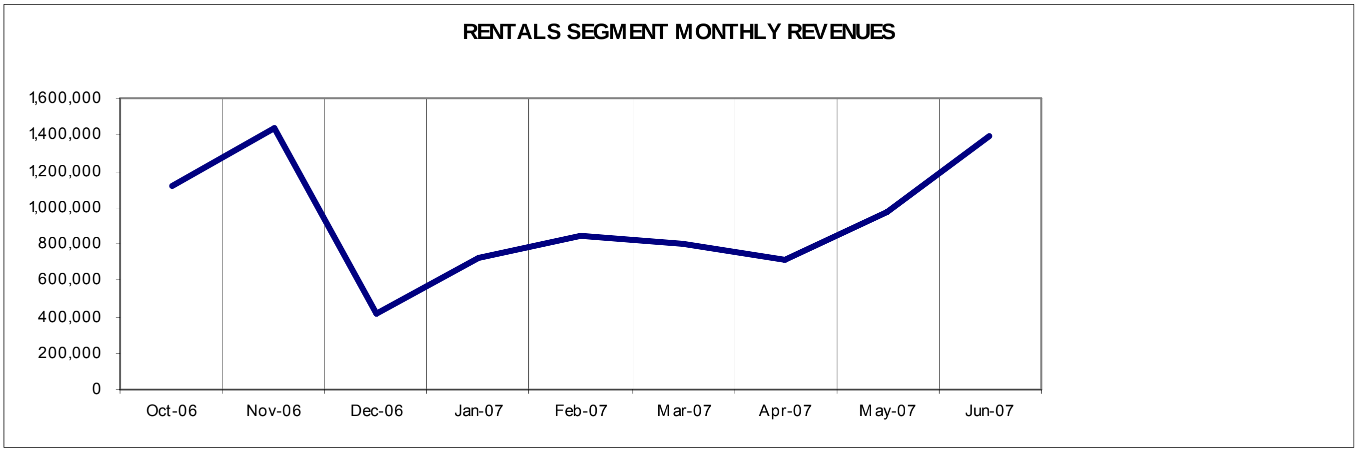
The Civil segment has two main components. The first, oilfield safety services, is tied to drilling activity and faced declining activity throughout the winter. The second and largest component of this segment is gravel crushing. The gravel crushing operations have contracts booked at or near capacity to the end of 2008. In spite of the work volumes, winter months generally result in lower production volumes due to cold conditions. Summer is the peak time for this division.

Excluding the revenue contributions of the Newly Acquired Companies, revenue increased by approximately 5% and 15% for the three and six month periods to June 30, 2007 over the revenue of the predecessor companies for the same period in 2006. In Q2, the Newly Acquired Companies generated approximately $785,000 of the $11.7 million or 7% of the year to date revenue for this segment. It is anticipated that given the capacity increases added over the winter months, and with the existing contracts that are in place that have the operations at, or near capacity, the prime summer gravel crushing months should result in increases to productivity.



Rentals Segment

Drilling slowdowns, delays to oil sand projects in Fort McMurray and a slow pipeline sector resulted in reduced demand for rental equipment over the winter months. The month of June returned to near record high levels and indications are that utilization rates should be reasonably strong until at least the end of Q4. Revenue declines were approximately 11% and 38% for the three and six month periods to June 30, 2007.



INTER SEGMENT REVENUES

Eliminated from the financial statements are $1,584,683 and $3,955,426 for the three and six month periods ending June 30, 2007 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 AND GROSS MARGIN

Operating expenses on a consolidated basis for the three and six months ended June 30, 2007 were approximately $24.5 million and $49.8 million, respectively. The rapid and deep downturn that occurred early 2007 negatively impacted operating expenses and gross margins. The following table outlines the cost by segment and the changes and percentage changes over the comparative period in 2006.

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	Three months ended June 30				Six months ended June 30			
Operating Expense changes by Segment	**2007**	**2006**	**$chg**	**% chg**	**2007**	**2006**	**$chg**	**% chg**
Construction Segment	4,353	8,299	(3,946)	(48%)	12,016	18,612	(6,596)	(35%)
Newly Acquired Companies	2,766	n/a	n/a	n/a	2,766	n/a	n/a	n/a
Transportation Segment	5,448	7,293	(1,845)	(25%)	14,955	22,594	(7,639)	(34%)
Newly Acquired Companies	1,574	n/a	n/a	n/a	1,574	n/a	n/a	n/a
Civil Segment	9,306	7,170	2,136	30%	16,115	13,153	2,962	23%
Newly Acquired Companies	492	n/a	n/a	n/a	492	n/a	n/a	n/a
Rentals Segment	529	1,890	(1,361)	(72%)	1,896	3,252	(1,356)	(42%)

The revenue declines in all segments except the civil segment resulted in total dollar cost declines as well. However while actual dollar costs declined, as a percentage of revenue, costs in all segments except the rental group increased resulting in and erosion of margins.

Total Operating Expense as % of Revenue	2007	2006		2007	2006
Total Operating costs as a % of Total Revenues	24,468	24,652		49,814	57,611
	128%	75%		92%	71%

Major cost items that increased as a percentage of revenue, across all segments, were labor, fuel and equipment rentals. It is expected that higher fuel costs can eventually be passed on to the Trust's clients, but in the current downturn, it is expected that there will be a timing difference before pricing increases can be passed on.

Productivity losses as a result of inclement weather and heavy snowfalls impacted all segments. Labor costs increased in both quarters of 2007. In addition, a minimum of 25% additional equipment capacity was added to each business segment in conjunction with and shortly after the initial public offering. The Trust's fixed cost infrastructure is capable of handling higher levels of activity. The resulting underutilized capacity has an ongoing effect to margins until volume of activity increases.

In response to the current cost increases management is working to expand cross utilization of existing equipment and reposition certain equipment assets in the Trust's new geographical locations to minimize mobilization and fuel costs. In addition, the Trust's rental segment is focusing marketing efforts to rent underutilized assets within the other Trust's segments to third parties. Finally management is in the process of implementing various cost cutting measures. Management expects to realize benefits on these actions by both increases in revenue and cost savings.

GENERAL AND ADMINISTRATIVE

General and administrative expenses for the three and six months ended June 30, 2007 were $1,637,137 and $3,328,803 respectively, or 6% and 5.5%, respectively, of revenue. Costs included in this category are 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 Newly Acquired Companies.

EBITDA

EBITDA for the six months ended June 30, 2007 was $6,766,419.(1) This represents an EBITDA margin of 11.3%.(2) In Q2, the Newly Acquired Companies contributed $1,254,744 in EBITDA since the completion of the acquisitions on May 18, 2007.

(1) EBITDA is calculated as net loss of $(23,296,579) plus interest expense of $1,645,861 plus amortization of property and equipment and amortization of intangible assets of $16,448,348 plus future income taxes of $11,968,789.

(2) EBITDA Margin is a fraction of which EBITDA of $6,766,419 is the numerator and revenue of $59,996,757 is the denominator.

AMORTIZATION OF PROPERTY AND EQUIPMENT

Amortization for the six months ending June 30, 2007 was $11,751,610. Amortization is applied to reduce the book 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, business alliance, brand and trade names, and non-competition agreements are recorded at cost and amortized over their useful lives, which is estimated to be five years for business alliance, brand and trade names, and non-competition agreements and ten years for customer relationships. 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 previous provision for income taxes had been made.

On June 12, 2007, the legislation implementing the new tax on publicly traded income Trusts and limited partnerships (the “SIFT tax”), referred to as “specified investment flow-through” (“SIFT”) entities (Bill C-52) received third reading in the House of Commons and on June 22, 2007, the Bill received Royal Assent. As a result, the tax was considered to be enacted for accounting purposes in June 2007. SIFTs are certain publicly traded income and royalty Trusts and limited partnerships including Petrowest.

For SIFTs in existence on October 31, 2006, the SIFT tax will be effective in 2011 unless certain rules related to “undue expansion” are not adhered to, in which case such rules would be applied at an earlier date. Under the guidance provided, Petrowest can increase is total equity subject to annual limits, to approximately $497.8 million by 2011 without prematurely triggering the SIFT tax.

Under the SIFT tax, distributions will not be deductible for income tax purposes by SIFTs in 2011 and thereafter and any Trust level taxable income will be taxed at a rate approximating the corporate income tax rate currently estimated to be 31.5 percent. The resultant distributions will be considered taxable dividends to unitholders, generally eligible for the dividend tax credit. Distributions representing a return of capital for income tax purposes will continue to be an adjustment to a unitholder’s adjusted cost base of Trust units.

For accounting purposes, as the SIFT tax was enacted in the second quarter of 2007, Petrowest recorded non-cash future income tax provisions that resulted in a net charge of $11,968,789 to future income taxes to reflect the temporary differences between the book and tax basis of assets and liabilities expected to be remaining in the Trust in 2011. The majority of the temporary differences at the Trust level relate to the timing differences associated with property plant and equipment and intangibles acquired by the Trust on September 7, 2006 and May 18, 2007.

Our Board of Directors and Management continue to review the impact of this tax on our business strategy. We expect future technical interpretations and details will further clarify the legislation. At the present time, Petrowest believes some or all of the following actions will or could result due to the enactment of the SIFT tax:

- If structural or other similar changes are not made, the after-tax distribution yield in 2011 to taxable Canadian investors will remain approximately the same, however, the distribution yield in 2011 to tax deferred Canadian investors (RRSPs, RRIFs, pension plans, etc.) and foreign investors could fall.

- A portion of Petrowest’s cash flow could be allocated to the payment of the SIFT tax, or other forms of tax, and would not be available for distribution or re-investment;

- Petrowest could convert to a corporate structure to facilitate investing a higher proportion or all of its cash flow in growth capital and potential acquisitions. Such a conversion and change to capital programs could result in a significant reduction to, or elimination of, distributions and/or dividends;

- Petrowest might determine that it is more economic to remain in the Trust structure and pay required distribution taxes when they come into effect in 2011 and utilizing available income tax strategies to minimize the impact of the tax.

The Trust is reviewing all organizational structures and alternatives to minimize the impact of the SIFT tax on our unitholders. While there can be no assurance that the negative effect of the tax can be minimized or eliminated, Petrowest and its advisors will assess the alternatives available and implement a strategy that is in the best interest of the unitholders.

NET LOSS

Net loss for the three and six months ended June 30, 2007 was $21,072,241 and $23,296,580, respectively. This represents a net loss per unit of $0.69 and $0.79, respectively, basic and fully diluted.

Included in the net loss is an adjustment for future income taxes as a result of Bill C-52 which received third reading in the House of Commons on June 12, 2007 and received Royal Assent on June 22, 2007. As a result, the tax was considered to be enacted for accounting purposes in June 2007. Excluding the impact of the future income tax adjustment net loss for the period would be $9,103,452 and $11,327,791, respectively. This represents a net loss per unit before future income tax adjustment of $0.30 and $0.38, respectively, basic and fully diluted.

RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES TO DISTRIBUTABLE CASH

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$000s	For the three months ended June 30, 2007	For the six months ended June 30, 2007
Cash flow from operating activities	1,792	64
Changes in non-cash working capital items	(1,426)	5,904
	366	5,968
Interest income	98	148
Distributable Cash	**464**	**6,116**
Total distributions paid or payable	**9,365**	**17,848**
Distributions funded from revolving bank term loan and DRIP	**8,901**	**11,732**
Payout ratio(1) – combined unitholders	**495%**	**343%**

(1) *Payout ratio is a fraction of which distributions paid or payable to Trust and Subordinated Unitholders of $8,901 and 11,732, respectively, is the numerator and distributable cash of $464 and $6,116, respectively, is the denominator.*

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Seasonal impacts on Cash Flow

The Trust strives to fund distributions primarily from funds flow from operations before changes in non cash working capital items. However, Petrowest's business operations are seasonal by nature. Management expects that the Trust will consume cash during periods of normally higher activity, historically Q4 and Q1, and to a lesser extent in Q3. Typically in these quarters, operations would increase receivable balances faster than collected. In Q2, the impact of spring breakup will typically reverse this trend. To reduce the impact on cash, the Trust has secured an operating line of credit to finance the cyclical nature of its operations. Accordingly in the shorter term, with reasonable evidence that cyclical trends reflect normal seasonal indicators, the Trust may use the operating line of credit to fund distributions during periods where working capital demands exceed funds flow from operations before changes in non cash working capital items.

Productive Capacity

The Trust strives to fund maintenance capital expenditures from cash flows. Growth capital expenditures would typically be funded by combinations of debt and operating leases. Since inception Petrowest's productive capacity has increased significantly. The Trust has added approximately $48 million in additional equipment financed by debt and operating leases that have increased the capacity of each segment by at least 25%. In addition the recent acquisitions on May 18, 2007 have added an additional $42 million in capital assets to the Trust, obtained from existing third party market capacity. The acquisitions have expanded the geographical footprint of the Trust and opened new markets for the Trust's services. The acquisitions have also increased capacity in the Construction, Transportation and Civil LP's. The cost of the Newly Acquired Companies has been financed by debt and the issue of Units of the Trust.

Property and equipment asset acquisitions incurred in the six months ended June 30, 2007 were approximately $11.7 million. The acquisitions were financed by an increase in the Trust's debt and were targeted to increase capacity in the gravel crushing and hauling and log hauling operations.

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

Further capital expenditures for the 2007 year, 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 higher levels of energy sector activity will require a future expenditures for maintenance capital expenditures in 2008 and beyond to replace older equipment. It is anticipated that this provision will be in the range of $6.0 million to $10.0 million per annum depending on future activity levels and equipment utilization.

Due to the risks inherent in the oil and natural gas industry, there can be no assurance that capital programs, whether limited to the excess of cash flow over distributions or not, will be sufficient to maintain or increase future productive capacity.

Overall Distribution Capacity

Distributable cash decreased by approximately $5,188,000 from Q1 of 2007. While the majority of the decline is related to seasonal conditions, the ongoing slowdown in oil and gas exploration activity has further negatively impacted cash flows. In the first quarter management of the Trust believed that the sector downturn would be short lived and accordingly elected to maintain distributions until evidence to the contrary became persuasive. As such, distributions occurring in late Q1 and Q2 were funded by the revolving bank term loan and the DRIP. The Trust reduced distributions by 40% to $0.06 per unit with effective the month of July to a level consistent with anticipated level of profitability of the Trust given current industry levels. Long term distribution capacity is dependent on generation of positive cash flows and due to the inherent risks in the oil and gas industry and current lack of visibility with respect to the near term outlook, there can be no assurance that distributions can be maintained at current levels in the future.

Since inception on September 7, 2006 the Trust has generated approximately $19.9 million in EBITDA. Accumulated distributions to date are approximately $28.5 million. The excess distributions over EBITDA, represent an effective return of capital to investors of $8.6 million. This is effectively one full quarter of distributions that have not been funded by operational cash flows.

DISTRIBUTIONS

Actual distributions paid in the three and six month periods by the Trust to unitholders are as follows:

Distributions to Trust Unit Holders

Record Date	Date Paid	Amount per Unit	Distributions Declared	Cash Distributions Paid	(1) DRIP Value Exercised	(1) DRIP Units issued
December 31, 2006	January 15, 2007	$0.10	$2,676,509	$2,676,509	n/a	n/a
January 31, 2007	February 15, 2007	$0.10	$2,676,509	$2,676,509	n/a	n/a
February 28, 2007	March 15, 2007	$0.10	$2,676,509	$2,676,509	n/a	n/a
March 31, 2007	April 15, 2007	$0.10	$2,676,509	$2,676,509	n/a	n/a
April 30, 2007	May 15, 2007	$0.10	$2,677,509	$2,677,509	n/a	n/a
May 31, 2007	June 15, 2007	$0.10	$3,112,672	$2,429,816	$682,855	93,665
June 30, 2007	July 15, 2007	$0.10	$3,220,381	$2,333,146	$788,892	114,698

Distributions to Subordinated Unit Holders

Record Date	Date Paid	Amount per Unit	Total Distributions
December 31, 2006	March 23, 2007	$0.37667	$568,772

(1)*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.*

Future distributions 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 Trust as well as the operational performance of the various partnerships.

Distributions for the record date July 31, 2007 were reduced to $0.06 per unit.

LIQUIDITY

Non Cash Working Capital

$000s	As at June 30 2007	As at December 31 2006
Accounts receivable	48,225	38,498
Prepaid expenses and deposits	4,316	1,517
Inventory	3,729	3,454
Accounts payable and accrued liabilities	(20,999)	(20,296)
Income taxes payable	(934)	-
Distributions payable	(4,028)	(3,245)
Purchase price adjustment payable	(2,000)	(6,422)
Current portion of revolving bank term loan	(15,000)	-
Current portion of obligations under capital leases	(331)	(87)
Non Cash Working capital	12,978	13,419

Non cash working capital at June 30, 2007 was approximately $13.0 million representing a decline of approximately $0.4 million since December 31, 2006. Excluding the impact of the classification of $15.0 million revolving bank term loan, actual non cash working capital increased by approximately $14.6 million. Of this increase, approximately $3.0 million was acquired in the acquisitions described in note 4(b) to the financial statements. The remaining $11.6 million increase has evolved from increases in accounts receivable due to volume increases in the month of June partially offset by the settlement of the majority of purchase price adjustments and slower accounts receivable collections.

Working capital levels are believed to be adequate to support current debt requirements and sustain business operations.

On May 18, 2007, the Trust amended and restated its credit facility available for growth capital, acquisitions and working capital needs to $120 million. 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 ending in November of 2007 which may be extended for an additional 364 days at the discretion of the lender on application by the Trust. Principal is then repayable in twelve equal quarterly installments over 36 months starting ninety days after the end of the revolving term. 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 determined in accordance with GAAP, and is defined as: earnings before income taxes, interest expenses, amortization of property and equipment and amortization of intangible assets and excluding non-cash income and expenses and extraordinary items.

Current EBITDA levels require payment of interest at prime.

As at June 30, 2007, the Trust had drawn $90.0 million on its credit facility of which approximately $64.3 million was utilized to meet the cash requirements of the acquisitions of the Newly Acquired Companies. The remainder of the drawn component of the facility has been utilized for the purchase of equipment and working capital needs.

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 $15,000,000 has been reported as the current portion.

The Trust's revolving bank term loan requires the Trust to maintain certain financial covenants as follows:

- Working capital ratio, excluding facility debt, of greater than 1.35 to one. The Trust's ratio at Q2 is 2.03 to 1.
- Funded debt to four quarter's trailing EBITDA ratio of not greater than 2.25 to 1. The Trust's ratio at Q2 is 1.94 to 1.
- Fixed Charge coverage of not less than 1 to 1. The Trust's ratio at Q2 is 1.7 to 1.
- Funded Debt to capitalization of not more than 0.5 to 1. The Trust's ratio is 0.27 to 1.

In the event the Trust were to fail to meet any of the financial covenants the implications to the Trust could include a requirement to repay immediately the revolving bank term loan and could result in suspension of future distribution payments.

The Trust is compliant on all debt covenants and believes that the reduction of distributions previously announce will allow the Trust to further reduce its level of borrowings under the credit facility over time.

CONTRACTUAL OBLIGATIONS – PAYMENTS DUE BY PERIOD

	As at June 30, 2007				
$000s	**< 1 year**	**1 - 3 Years**	**4 - 6 Years**	**Thereafter**	**Total**
Bank Indebtedness	15,000	75,000	-	-	90,000
Obligations under Capital leases	331	827	-	-	1,158
Operating Leases on Equipment	10,116	14,568	565	-	25,249
Operating Leases on Offices, Shop and yards	2,091	5,194	1,183	-	8,468
TOTAL	27,538	95,589	1,751	-	124,878

The Trust's credit facility is subject to renewal in November 2007. In the event that facility is not renewed the indicated payments would be required. It is the Trust's intent to request a renewal of the facility and we believe we will be successful in renewing or replacing the facility.

Operating and capital lease commitments are consistent with levels previously retained within the individual companies prior to their acquisition by Petrowest. It is management's belief that lease commitments can be met from operating cash flows.

UNITHOLDERS' EQUITY

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 Board of Directors of the Trust's administrator, Petrowest Energy Services General Partner Ltd. in priority to any payments on the Subordinated Units.

Issued

	Trust Units Outstanding	Subordinated Units Outstanding	Total Outstanding	$000's Value
Trust Units issued for cash net of issue costs	14,000,000		14,000,000	128,118
Trust Units issued on the acquisition of the Acquired Companies (note 4(a))	12,765,094		12,765,094	127,651
Total Units	26,765,094		26,765,094	255,769
Subordinated Units				
Issued for cash	-	1,510,000	1,510,000	1,510
Issued for promissory notes	-	-	-	3,020
Less: Amount issued for promissory notes	-	-	-	(3,020)
Balance at December 31, 2006	26,765,094	1,510,000	28,275,094	257,279
Issued for services	10,000	-	10,000	72
Issued to distribution reinvestment plan "DRIP"	93,665	-	93,665	683
Issued on the acquisition of the Newly Acquired Companies (note 4 (b))	4,351,622	-	4,351,622	32,316
Total units outstanding as at June 30, 2007	31,220,381	1,510,000	32,730,381	290,350
Weighted average units outstanding three months ended June 30 basic and diluted	28,845,805	1,510,000	30,355,805	
Weighted average units outstanding six months ended June 30 basic and diluted	27,811,197	1,510,000	29,321,197	

On July 6, 2006, 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. No amounts have been forgiven to date.

Holders of Subordinated Units have the right to convert into Priority Units on a one-for-one basis at any time after the end of the first fiscal year ending on or after December 31, 2008 if the Trust has earned EBITDA of at least $47 million and paid distributions of at least $1.20 per Trust Unit for such fiscal year.

On June 27, 2007, the Trust issued 300,000 warrants at a strike price of $7.47 per unit expiring May 1, 2008 for aggregate consideration of $270,000. The Trust valued the warrants using the following assumptions in the Black-Scholes model: average risk-free interest rate of 4.73%; average expected life of 0.91 years; expected volatility of 30%.

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.

Future distributions and continuation of the DRIP program 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.

Units issued on the acquisition of the Acquired Companies and units issued on the acquisition of the Newly Acquired Companies are held in escrow. Escrowed shares are released as to 25% at the end of year one and the remaining 75% at the end of year two.

GOODWILL

The Goodwill balance has arisen from the two sets of acquisitions. Goodwill represents the excess of purchase price of the Acquired Companies over the fair value of net assets acquired and liabilities assumed. The goodwill balance is assessed for impairment annually at year-end or as events occur that could result in permanent impairment. Impairment is charged to earnings and is not tax affected, in the period in which it occurs. Goodwill is stated at cost less impairment and is not amortized.

RELATED PARTY TRANSACTIONS

Petrowest paid rents for the three and six months ended June 30, 2007, respectively, for office and shop space under leases entered into with certain former vendors in the amount of$481,278 and $903,535. Future lease commitments associated with the transactions are included in note 13. Transactions were recorded at the exchange amount which is 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 June 30, 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 had a material effect on the financial statements at the time they were made. The most significant estimates in Petrowest's financial statements are the estimate for future income taxes, 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

Material Debt

The Trust's credit facility is subject to renewal in November 2007. In the event that facility is not renewed the principal repayments would be required quarterly over a three year period which could have a material impact on the Trust's ability to continue distributions and retire the principal obligations. While the Trust believes it will be successful in renewing or replacing the facility there can be no assurance that it will be successful.

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Additional Risks are detailed in the Trust's annual information form dated March 30, 2007 which is available in electronic form at www.sedar.com and the Audited Consolidated Financial Statements and Management Discussion and Analysis for the year ended December 31, 2006 which are available in electronic form at www.sedar.com.

FINANCIAL DISCLOSURES

During the period ended June 30, 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 June 30, 2007 pursuant to the requirements of Multilateral Instrument 52-109 of the Canadian Securities Administrators.

Petrowest integrated the nine private businesses described as the September 7, 2006 acquisitions to Note 4(a) of the financial statements 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.

Petrowest has also integrated the additional five private businesses described as the May 18, 2007 acquisitions to Note 4(b) of the financial statements and completed the data conversion of the existing accounting systems within the Newly Acquired Companies to a common accounting system platform. The five new entities were live on the new accounting platform as at May 18, 2007.

As part of the Trust's transition from fourteen owner managed control environments that existed in the Acquired Companies and the Newly 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 June 30, 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

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, revenues from oil and gas and non-oil and gas activities, debt to EBITDA ratio and end of year payout ratio. **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, except in circumstances where in light of intervening events and absent further explanation the statements would be considered misleading.**

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 June 30, 2007	$000's December 31, 2006
Assets		
Current assets		
Cash and cash equivalents	1,244	9,312
Accounts receivable	48,225	38,498
Prepaid expenses and other	4,316	1,517
Inventory	3,729	3,454
	57,514	52,781
Property and equipment (note 5)	130,803	91,298
Intangible assets (note 6)	66,208	53,438
Goodwill (note 7)	119,666	98,068
Future income taxes (note 11)	1,499	-
	375,690	295,585
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	20,999	20,296
Corporate taxes payable	934	-
Distributions payable	4,028	3,245
Purchase consideration payable (note 4(a) and 4(c))	2,000	6,422
Current portion of obligations under capital leases	331	87
Current portion of revolving bank term loan (note 8)	15,000	-
	43,292	30,050
Obligations under capital leases	827	169
Revolving bank term loan (note 8)	75,000	15,000
Future income taxes (note 11)	13,468	-
	132,587	45,219
Unitholders' Equity		
Units (note 9)	290,350	257,279
Warrants (note 9)	270	-
Contributed surplus	898	358
Accumulated (loss) earnings	(19,917)	3,379
Accumulated cash distributions to unitholders	(28,498)	(10,650)
	243,103	250,366
	375,690	295,585

Commitments and contingency (notes 4(c) and 13)

See accompanying notes to the interim unaudited consolidated financial statements

Approved on behalf of the board:

Ken Drysdale Mark Schweitzer

Petrowest Energy Services Trust

Consolidated Statement of Loss, Comprehensive Loss and Accumulated Earnings

For the three and six months ended June 30, 2007 **(Unaudited)**

	$000's	
	Three Months Ended June 30, 2007	**Six Months Ended June 30, 2007**
Revenue	27,134	59,997
Expenses		
Operating expenses	24,468	49,814
General and administrative	1,638	3,329
Interest	1,102	1,646
Amortization of property and equipment	6,620	11,751
Amortization of intangible assets	2,517	4,697
	36,345	71,237
	(9,211)	(11,240)
Other income		
Gain (loss) on disposal of property and equipment	11	(235)
Interest income	98	148
Net loss and comprehensive loss for the period before taxes	(9,102)	(11,327)
Future income tax expense (note 11)	(11,969)	(11,969)
Net loss and comprehensive loss for the period	(21,071)	(23,296)
Accumulated earnings - beginning of period	1,154	3,379
Accumulated loss - end of period	(19,917)	(19,917)
Net loss per unit - basic and diluted (note 9)	($0.69)	($0.79)

See accompanying notes to the interim unaudited consolidated financial statements

Petrowest Energy Services Trust

Consolidated Statement of Cash Flows

For the three and six months ended June 30, 2007

	(Unaudited) $000's Three Months Ended June 30, 2007	Six Months Ended June 30, 2007
Cash provided by (used in)		
Operating activities		
Net loss for the period	(21,071)	(23,296)
Items not affecting cash		
Amortization of tangible assets	6,620	11,751
Amortization of intangible assets	2,517	4,697
Unit-based compensation	342	612
Future income taxes	11,969	11,969
(Gain) loss on disposal of property and equipment	(11)	235
	366	5,968
Changes in non-cash working capital		
Accounts receivable	606	2,508
Prepaid expenses	338	(387)
Inventory	475	199
Accounts payable and accrued liabilities	59	(8,172)
Income taxes payable	(52)	(52)
	1,792	64
Financing activities		
Unitholder distributions	(8,462)	(16,382)
Repayment of capital lease obligations	(253)	(253)
Proceeds from revolving term bank loan	65,000	75,000
	56,285	58,365
Investing activities		
Acquisition of acquired companies net of and working capital adjustments and costs (note 4(b))	(51,799)	(51,799)
Business alliance	(2,000)	(74)
Purchase of property and equipment	(7,685)	(11,723)
Proceeds on property and equipment disposals	2,767	1,521
Purchase price adjustment	2,000	(4,422)
	(56,717)	(66,497)
Increase (decrease) in cash and cash equivalents	1,360	(8,068)
Cash and cash equivalents, beginning of period	(116)	9,312
Cash and cash equivalents, end of period	1,244	1,244
Supplementary information		
Interest paid	1,102	1,646
Income taxes paid	-	-
Non cash transactions		
Property and equipment financed by capital leases	565	1,155
Units issued on acquisition (note 4(b))	32,316	32,316
Warrants issued (note 9)	270	270

See accompanying notes to the 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 Trust's audited consolidated financial statements for the year ended December 31, 2006, except as discussed below, and should be read in conjunction with these statements.

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, obligations under capital leases and the revolving bank term loan are designated as other liabilities and are recorded at cost.

Income taxes

On June 12, 2007, the legislation implementing the new tax on publicly traded income trusts and limited partnerships (the "SIFT tax"), referred to as "specified investment flow-through" ("SIFT") entities (Bill C-52) received third reading in the House of Commons and on June 22, 2007, the Bill received Royal Assent. As a result, the tax was considered to be enacted for accounting purposes in June 2007.

Under the SIFT tax, distributions will not be deductible for income tax purposes by SIFTs in 2011 and thereafter and any trust level taxable income will be taxed at rates approximating the corporate income tax rate currently estimated to be 31.5 percent.

For accounting purposes, as the SIFT tax was enacted in the second quarter of 2007, Petrowest recorded a non-cash charge to future income taxes to reflect the temporary differences between the book and tax basis of assets and liabilities expected to be remaining in the Trust in 2011.

3 Seasonality

Petrowest's operations are conducted in northern Alberta and northeast British Columbia and 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 one of the busiest quarters for Petrowest, as oil and gas exploration and development and 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 quarter for Petrowest's operations. Spring time melt conditions result in soft, wet ground generally requiring the implementation of road bans which prevent heavy load transportation on roadways. Quarter three encompasses the summer months, and Petrowest's activity levels typically generate revenues that fall in the middle between Quarters one and two 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. Depending of length of the fall Quarter four revenues can approximate or exceed quarter one revenues.

4 Acquisitions

(a) Acquisitions September 7, 2006

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 acquisition of the acquired companies was completed September 7, 2006. 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, debt obligations retired and the sale of redundant assets.

The Acquired Companies 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	97,949
Total	258,000
Consideration paid	
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	22,698
	130,349
Trust Units (12,765,094 units issued)	127,651
Total	258,000

There is 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 $800,000. This amount has been classified as a contingent gain and because collectability is uncertain, has not been recognized for purposes of the calculation of the purchase price adjustment. 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 to reflect this contingent gain, if any, may be material.

(b) Acquisitions May 18, 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 "Newly Acquired Companies"). The acquisition of the acquired companies was completed May 18, 2007.

The estimated purchase price of the Newly Acquired Companies was $92,576,108.

The Newly Acquired Companies 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	8,963
Accounts receivable	12,235
Prepaid expenses and other	2,412
Inventories	474
Accounts payable and accrued liabilities	(8,875)
Income taxes payable	(986)
Property and equipment	42,134
Intangibles	15,123
Goodwill	21,598
Total	93,078
Consideration paid	
Net cash to vendors	50,869
Acquisition costs	502
Retirement of long-term debt and capital lease obligations	9,391
	60,762
Trust Units (4,351,622 units issued)(1)	32,316
Total	93,078

(1) For the purposes of calculation of the aggregate, the trust units have been attributed a value of $7.4261 each, the five day volume weighted average price before the closing date.

(c) Business Alliance June 18, 2007

On June 18, 2007 Petrowest signed agreements documenting a memorandum of understanding effective May 1, 2007 with the Woodland Cree First Nations (“WCFN”) providing Petrowest with the primary right to provide a combination of services on a revenue sharing basis within the WCFN traditional lands for a period of 5 years. In conjunction with the agreements, Petrowest purchased the road construction equipment assets of the WCFN. The total cash consideration paid or payable to the WCFN for the assets and the contractual rights was $4,000,000. Petrowest paid $2,000,000 in cash on closing, retired $1,424,623 of equipment debt subsequent to the quarter end and the remaining $575,377 will be paid on certain post closing conditions being met.

The Trust also issued the WCFN 300,000 warrants to acquire Petrowest units at a strike price of $7.47 per unit. The warrants expire May 1, 2008. The valuation of the warrants has been calculated using a Black-Scholes pricing model (note 9).

Petrowest has accounted for the transaction as follows:

	$000’s
Value of warrant consideration	270
Initial cash consideration	2,000
Remaining purchase consideration payable	2,000
	4,270
Fair Value of Equipment	1,926
Value of business alliance	2,344
Total Consideration	4,270

The business alliance will be amortized on a straight-line basis over 5 years.

In addition the Trust has agreed to provide services in kind valued at market rates to assist in the potential construction and development of a community centre subject to certain conditions being fulfilled and capped to a maximum of $1,000,000.

5 Property and Equipment

$000’s

			June 30, 2007	**December 31, 2006**
	Cost	**Accumulated Amortization**	**Net Book Value**	**Net Book Value**
Buildings, portable buildings and fencing	6,681	457	6,224	3,284
Heavy equipment	121,146	13,602	107,544	75,087
Equipment under capital lease	1,411	136	1,275	247
Vehicles	4,330	741	3,589	2,281
Trailers	8,948	863	8,085	7,427
Equipment	3,473	885	2,588	1,941
Office furniture and equipment	447	81	366	148
Communications, computer hardware and software	857	298	559	420
Leasehold improvements	47	2	45	46
Subtotal	147,340	17,065	130,275	90,881
Assets under construction	528	-	528	417
	147,868	17,065	130,803	91,298

6 Intangible Assets

$000's	Cost	Accumulated Amortization	June 30, 2007 Net Book Value	December 31, 2006 Net Book Value
Non Competition Agreements	35,213	4,127	31,086	25,098
Business alliance (note 4)	2,344	-	2,344	-
Brand and Trade Names	7,955	890	7,065	5,048
Customer Relationships	27,505	1,792	25,713	23,292
Total	73,017	6,809	66,208	53,438

Non competition agreements, business alliance and brand and trade names are amortized over 5 years on a straight line basis. Customer relationships are amortized over 10 years on a straight line basis.

7 Goodwill

Goodwill has arisen from the two sets of acquisitions described in note 4 plus costs of the acquisitions as follows:

	June 30, 2007	December 31, 2006
September 7, 2006 acquisitions	97,949	97,949
Additional settlement costs	119	119
May 18, 2007 acquisitions	21,598	-
Total	119,666	98,068

8 Revolving Bank Term Loan

On May 18, 2007, the Trust amended and restated its credit facility available for growth capital, acquisition and working capital needs to $120 million. 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 ending in November of 2007 which may be extended for additional 364 days at the discretion of the lender on application by the trust. Principal is then repayable in twelve equal quarterly installments over 36 months starting ninety days after the end of the revolving term. 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 determined in accordance with GAAP, and is defined as: earnings before income taxes, interest expenses, amortization of property and equipment and amortization of intangible assets and excluding non-cash income and expenses and extraordinary items.

Current EBITDA levels require payment of interest at prime.

Principal payments due over the next four years as at June 30, 2007 are as follows:

	$000's
2007	-
2008	15,000
2009	30,000
2010	30,000
2011	15,000

9 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.

Issued

	Trust Units Outstanding	Subordinated Units Outstanding	Total Outstanding	Value $000's
Trust Units issued for cash net of issue costs	14,000,000		14,000,000	128,118
Issued on the acquisition of the Acquired Companies (note 4 (a))	12,765,094		12,765,094	127,651
Total Units	26,765,094		26,765,094	255,769
Subordinated Units				
Issued for cash	-	1,510,000	1,510,000	1,510
Issued for promissory notes	-	-	-	3,020
Less: Amount issued for promissory notes	-	-	-	(3,020)
Balance at December 31, 2006	26,765,094	1,510,000	28,275,094	257,279
Issued for services	10,000	-	10,000	72
Issued to distribution reinvestment plan "DRIP"	93,665	-	93,665	683
Issued on the acquisition of the Newly Acquired Companies (note 4 (b))	4,351,622	-	4,351,622	32,316
Total units outstanding as at June 30, 2007	31,220,381	1,510,000	32,730,381	290,350
Weighted average units outstanding three months ended June 30 basic and diluted	28,845,805	1,510,000	30,355,805	
Weighted average units outstanding six months ended June 30 basic and diluted	27,811,197	1,510,000	29,321,197	

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. No amounts have been forgiven to date. Holders of Subordinated Units have the right to convert into Priority Units on a one-for-one basis at any time after the end of the first fiscal year ending on or after December 31, 2008 if the Trust has earned EBITDA of at least $47 million and paid distributions of at least $1.20 per Trust Unit for such fiscal year.

On June 27, 2007 the Trust issued 300,000 warrants at a strike price of $7.47 per unit expiring May 1, 2008 as partial consideration for entering into the business alliance (note 4 (c)). The Trust valued the warrants at $270,000 using the following assumptions in the Black-Scholes model: average risk-free interest rate of 4.73%; average expected life of 0.91 years and expected volatility of 30%.

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.

Units issued on acquisitions and units issued on new acquisitions are held in escrow. Escrowed shares are released as to 25% at the end of year one and the remaining 75% at the end of year two.

10 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 June 30, 2007	Number of options outstanding	Weighted average remaining life	Weighted average exercise price
Granted – September 7, 2006	2,605,000	4.19 years	$10.00
Expired	-		-
Outstanding, December 31, 2006 and June 30, 2007	2,605,000	4.19 years	$10.00
Exercisable, December 31, 2006 and June 30, 2007	-		-

The Trust recorded non cash compensation expense and contributed surplus of $540,000 for the six months ended June 30, 2007. Compensation expense has been included in general and administrative expenses. On July 27, 2007, the Trust cancelled its existing option plan.

11 Income taxes

On June 12, 2007, the legislation implementing the new tax on publicly traded income trusts and limited partnerships (the "SIFT tax"), referred to as (Bill C-52) received third reading in the House of Commons and on June 22, 2007 the Bill received Royal Assent. As a result, the tax was considered to be enacted for accounting purposes in June 2007. SIFTs are certain publicly traded income and royalty trusts and limited partnerships including Petrowest.

For SIFTs in existence on October 31, 2006, the SIFT tax will be effective in 2011 unless certain rules related to "undue expansion" are not adhered to. Under the guidance provided, Petrowest can increase is total equity subject to annual limits, to approximately $497.8 million by 2011 without prematurely triggering the SIFT tax.

Under the SIFT tax, distributions will not be deductible for income tax purposes by SIFTs in 2011 and thereafter and any trust level taxable income will be taxed at a rate approximating the corporate income tax rate currently estimated to be 31.5 percent. The resultant distributions will be considered taxable dividends to unitholders, generally eligible for the dividend tax credit. Distributions representing a return of capital for income tax purposes will continue to be an adjustment to a unitholder's adjusted cost base of trust units.

For accounting purposes, as the SIFT tax was enacted in the second quarter of 2007, Petrowest recorded non-cash future income tax provisions that resulted in a net charge of $11,968,789 to future income taxes to reflect the temporary differences between the book and tax basis of assets and liabilities expected to be remaining in the Trust in 2011. The majority of the temporary differences at the Trust level relate to the timing differences associated with property plant and equipment and intangibles acquired by the Trust on September 7, 2006 and May 18, 2007.

The components of future income tax balances are as follows:	**$000's**
Asset	
Share Issue Costs	$ 1,499
Liability	
Capital and intangible assets	$ 13,468
Net non cash future income tax expense	$ 11,969

12 Related Party Transactions

Petrowest paid rent for the three and six months ended June 30, 2007 respectively for office and shop space under leases entered into with certain former vendors in the amount of $481,278 and $903,535. Future lease commitments associated with the transactions are included in note 13. Transactions were recorded at the exchange amount which is estimated to equal fair market value.

13 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
June 30, 2008	12,207
June 30, 2009	9,778
June 30, 2010	6,072
June 30, 2011	3,912
June 30, 2012	1,748

14 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 June 30, 2007 **(unaudited)**

$000's

	Construction	Transportation	Civil	Rentals	Corporate	Total
Total Revenue	7,775	6,137	11,717	3,090		28,719
Less inter-segment revenue	(583)	(569)	(12)	(421)		(1,585)
Revenue	7,192	5,568	11,705	2,669		27,134
Operating and general and administrative	7,119	7,022	9,798	529	1,638	26,106
Interest Expense	153	1	7	1	940	1,102
Interest income	24	17	2	6	49	98
(Gain) loss on disposal of equipment		(1)	(7)	1	(4)	(11)
Amortization	3,708	2,113	1,675	1,491	150	9,137
Future income taxes	-	-	-	-	11,969	11,969
Net earnings (loss)	(3,764)	(3,550)	234	653	(14,644)	(21,071)

For the six months ended June 30, 2007 **(unaudited)**

$000's

	Construction	Transportation	Civil	Rentals	Corporate	Total
Total Revenue	18,436	18,369	21,693	5,455	0	63,953
Less inter-segment revenue	(1,260)	(1,494)	(37)	(1,165)	0	(3,956)
Revenue	17,176 29%	16,875 28%	21,656 36%	4,290 7%	0	59,997
Operating and general and administrative	14,785	16,529	16,282	2,218	3,329	53,143
Interest Expense	157	4	45	3	1,437	1,646
Interest income	25	18	2	6	97	148
(Gain) loss on disposal of equipment	83	2	153	1	(4)	235
Amortization	6,017	3,929	3,172	3,012	318	16,448
Future Income Taxes	-	-	-	-	11,969	11,969
Net earnings (loss)	(3,841)	(3,571)	2,006	(938)	(16,952)	(23,296)

Selected Balance Sheet Items as at June 30, 2007

	Construction	Transportation	Civil	Rentals	Corporate	Total
Current Assets	24,875	16,395	23,502	(2,752)	(4,506)	57,514
Property and equipment	58,217	25,468	26,067	17,296	3,755	130,803
Intangibles	26,360	19,991	9,665	7,848	2,344	66,208
Goodwill	47,798	31,590	26,220	13,569	489	119,666
Future income tax	938	209	339	4	9	1,499
Total Assets	158,188	93,653	85,793	35,965	2,091	375,690

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

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President, Chief Executive Officer & Director

John B. Paul, CA
Chief Financial Officer

Keith D. Hudson, CFA
Vice President, Business Development

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Chairman of the Board

Rene Amirault
Director

Walter DeBoni
Director

Gerald A. Romanzin, CA
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Kenneth N. Drysdale
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