

LETTER FROM THE PRESIDENT

NOVEMBER 13, 2007

I can honestly admit it has been nothing short of challenging doing business in Alberta and British Columbia these past twelve months. We have been forced to redefine our existence, and seek out new opportunities as a result of lower activity levels in all areas of the energy service sector. Our initial concept of being diversified and not fully reliant on the energy sector started to show dividends by mid-second quarter and has continued in the third quarter. The challenges continue amid further deterioration of drilling forecasts for the rest of 2007 and through 2008.

The acquisitions in May of this year have integrated well into our public structure. I believe that the best is yet to come from these companies as we realize on additional operational synergies and capitalize on the strengths of their individual operations.

We were successful in achieving growth by developing more gravel crushing crews through the acquisition of Tri-Dave Gravel Sales of Edmonton. This acquisition, combined with investments in capital equipment in R Bee Crushing of Grande Prairie have resulted in the Trust now operating seven complete crushing spreads compared to only three at the start of the second quarter of this year. The impact has been an increase of three million dollars per month of revenue for this division.

With energy related activities in decline the Trust focused on civil infrastructure work with our road and lease construction division. We will continue to pursue civil infrastructure opportunities that utilize our assets going forward.

The transportation division has seen steady revenues in the areas of equipment hauling, gravel and log hauling but has seen a noticeable downturn in rig moving activity. The winter looks good for log hauling volumes and we will continue to work with clients in the rig moving sector to increase the utilization of our transportation assets.

The full impact of Alberta's Royalty changes on activity levels in both gas and oil exploration has yet to be determined. However, early indications are that the new royalty structure will further decrease activity expectations that had been set for 2008. Accordingly, despite a strong third quarter, the impact of the royalty announcement, continued low gas pricing and uncertain activity levels has resulted in Petrowest management having to protect the balance sheet by reducing distributions. This position will provide the Trust with the flexibility of capitalizing on growth opportunities that present themselves in times of downturn, pay down debt levels and ultimately restore unit holder value and shareholder confidence in these challenging times.

Sincerely,

Kenneth N. Drysdale
President & C.E.O.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) is dated November 13, 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 nine months ended September 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 and audited consolidated financial statements of the Trust for the December 31, 2006 period end, the Trust's first and second quarter MD&A and unaudited interim consolidated financial statements for the periods ended March 31, 2007 and June 30, 2007, respectively, as well as 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 and commercial operations on September 7, 2006. Consequently the comparable information included in these financial statements reflects the Trust's operational performance for this 24 day period to September 30, 2006.

FINANCIAL HIGHLIGHTS AND OVERVIEW

Petrowest's Q3 financial results are encouraging in light of the current slowdown in the natural gas exploration sector. Marketing efforts have been refocused toward civil infrastructure and commercial work, the lumber and pulp and paper industry, mining, conventional oil exploration and oil sands development have resulted in revenues for the quarter of \$50.9 million approaching the previous year to date revenue at June 30, 2007 of \$60.0 million. Cost cutting measures, higher equipment utilization, and the impact of additional synergies within the Petrowest business segments have resulted in EBITDA for the quarter of \$12.7 million or almost two times the \$6.7 million of EBITDA generated during the first half of 2007.

However, the optimism created by our success in the third quarter is muted somewhat by the recent Alberta royalty announcement which is having the effect of creating uncertainty and reduced economic returns resulting in the potential for cutbacks in natural gas, conventional oil and oil sands development. The visibility of demand for Petrowest services into late Q4 of 2007 and 2008 is unclear at this time.

FINANCIAL RESULTS

| \$000's except per unit amounts, margins and ratios | For the three months ended September 30, 2007 | For the nine months ended September 30, 2007 | For the period ended September 30, 2006 ⁽²⁾ |
|--|--|---|---|
| Revenue | 50,856 | 110,853 | 10,907 |
| EBITDA ⁽¹⁾ | 12,654 | 19,421 | 2,708 |
| EBITDA margin ⁽¹⁾ | 24.9% | 17.5% | 24.8% |
| Cash flow provided from operating activities | 1,883 | 1,772 | 2,902 |
| Future income tax recovery (expense) | 467 | (11,502) | - |
| Net earnings (loss) and comprehensive earnings (loss) for the period before taxes ⁽³⁾ | (596) | (11,923) | 762 |
| Net earnings (loss) | (129) | (23,425) | 762 |
| Net earnings (loss) and comprehensive earnings (loss) for the period before taxes per unit – basic and diluted ⁽³⁾ | (\$0.02) | (\$0.39) | \$0.03 |
| Net earnings (loss) per unit – basic and diluted | (\$0.00) | (\$0.77) | \$0.03 |

FINANCIAL POSITION AND LIQUIDITY

| \$000's except per unit amounts, margins and ratios | For the three months ended September 30, 2007 | For the nine months ended September 30, 2007 | For the period ended December 31, 2006 |
|--|---|--|--|
| Net working capital (current assets less current liabilities) | 32,470 | 32,470 | 22,731 |
| Total revolving bank term loan and obligations under capital leases (including current portion) | 91,170 | 91,170 | 15,256 |
| Total units outstanding | 33,066,986 | 33,066,986 | 28,275,094 |
| Weighted average units outstanding – basic and diluted | 32,902,498 | 30,528,083 | 28,275,094 |
| Distributions per unit | \$0.18 | \$0.78 | \$0.08 |
| Payout ratio⁽⁴⁾ | 54% | 143% | 83% |
| Period end unit price | 4.09 | 4.09 | 8.80 |

(1) See "Non-GAAP Measures"

(2) Q3-2006 Stub is for the period from inception on July 6, 2006 to September 30, 2006, however commercial operations commenced on September 7, 2006.

(3) Excludes the future income tax adjustment resulting from the SIFT tax. See "Income Taxes."

(4) Calculated as ratio of unitholders distributions over the Adjusted Distribution Base. See below.

STANDARDIZED DISTRIBUTABLE CASH AND ADJUSTED DISTRIBUTION BASE

The Canadian Institute of Chartered Accountants issued the Interpretive Release "Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities" in July 2007, which is effective for the third quarter of 2007. The interpretive release defines standardized distributable cash as cash flow from operating activities less total capital expenditures as defined by GAAP and the effect of any foreseeable contractual limitations or financing matters.

Standardized distributable cash is meant to provide a standard base among various distributing trusts to evaluate long term sustainability. Long term distribution capacity is dependent on the generation of positive cash flows from operations in excess of maintenance capital and growth capital requirements. Long term negative standardized distributable cash would suggest that an entity would not be able to maintain distributions. The Trust currently has surplus capacity that has not contributed to cash flow from operations. Management believes that a return to higher capacity utilization has the potential to generate positive standardized distributable cash flow that will support future capital needs and current distribution levels.

Standardized distributable cash (shortfall) was (\$2.3 million) for the three months ended September 30, 2007 and (\$10.7 million) for the nine months ended September 30, 2007. The payout ratio represented by Unitholder distributions to Standardized Distributable Cash cannot be calculated as Standardized Distributable Cash is negative.

The interpretive release also provides guidance on the calculation of an Adjusted Distribution Base which is standardized distributable cash flow adjusted for entity specific adjustments.

Adjusted Distribution Base was approximately \$10.5 million for the three months ended September 30, 2007 and \$16.4 million for the nine months ended September 30, 2007. This represents a payout ratio based on Unitholder distributions over Adjusted Distribution Base of 54% for the three months ended September 30, 2007 and 143% for the nine months ended September 30, 2007. Further, since inception of commercial operations on September 7, 2006 the Trust's Adjusted Distribution Base is \$28.7 million. This represents a payout ratio based on Unitholder distributions over Adjusted Distribution Base of 119% since inception.

Petrowest's payout ratio based on Unitholder distributions over Adjusted Distribution Base declined dramatically for the three and nine months ended September 30, 2007 over the previous payout ratios to the end of Q2, due to improvements in Petrowest's operating performance and a reduction of monthly distributions from \$0.10/unit to \$0.06/unit implemented in July of 2007.

However the year to date payout ratio based on Adjusted Distribution Base remains high as a result of overall low equipment utilization rates with the decline in natural gas drilling activity. This lower activity impacted the Trust's Construction, Transportation and Rentals segments. Additionally, unusually wet weather and prolonged spring breakup experienced in Q2 affected the demand for services in all divisions and the Trust experienced decreased margins due to fixed operating costs.

NET LOSS AND NET LOSS PER UNIT

Net loss of \$0.1 million for the three months ended September 30, 2007 and approximately \$23.4 million net loss for the nine months ended September 30, 2007.

On the basis of the weighted average units outstanding- basic and fully diluted:

- Net loss per unit (\$0.00) for the three months ending September 30, 2007.
- Net loss per unit (\$0.77) for the nine months ending September 30, 2007.

The nine month net loss was impacted by a \$12.0 million future income tax charge recorded in Q2 as a result of the enactment of the new SIFT taxation rule.

Excluding future income tax charges, net loss of \$0.6 million for the three months ended September 30, 2007 and approximately \$11.9 million net loss for the nine months ended September 30, 2007.

Excluding future income tax charges on the basis of the weighted average units outstanding, basic and fully diluted:

- Net loss per unit before income tax adjustment (\$0.02) for the three months ending September 30, 2007.
- Net loss per unit before income tax adjustment (\$0.39) for the nine months ending September 30, 2007.

OUTLOOK

Historically, Petrowest's businesses have been comprised of approximately two thirds oil and gas drilling related activities and one third industrial and infrastructure activities. In Q3 these percentages have shifted to approximately 51% oil and gas and 49% infrastructure and commercial services. In spite of an ongoing marketing focus away from the natural gas drilling sector, the sector is still a critical component of the business. Infrastructure project demand is expected to be strong over the next two years; however, these projects are more seasonal in nature, with the majority occurring in Q2 and Q3. Consequently the downturn in the natural gas drilling sector will have the effect of reducing utilization of equipment in many of the Trust's business segments. At lower capacity utilization, operating margins will continue to be negatively impacted.

The Trust has shown strong operating results in Q3, in spite of the current circumstances in the oil and gas well drilling industry. Petrowest has solid levels of working capital of more than \$32.4 million and a diversified base of operations. In addition, the Trust has taken a number of steps over the last year to improve the financial position and balance sheet of the Trust. These highlights include:

- Successful extension of the Trust's credit facility for another one year term until November 2008.
- Initiation of cost cutting measures, additional equipment cross utilization, less reliance on natural gas exploration activity and the completion of strategic acquisitions.
- Expanded relationships and alliances in the Peace River oil sands development.
- Acquisitions of five companies that were completed on May 18, 2007 for aggregate consideration of \$93.3 million, strengthening and expanding the Trust's Civil, Construction and Transportation business segments and expanding the Trust's geographical footprint further north to Peace River, High Level and Rainbow Lake areas of Alberta and Fort St. John and Fort Nelson in British Columbia. In addition to opening new markets, the acquisitions are beginning to contribute to the operating synergies of the Trust and reduce levels of third party subcontracting.

The natural gas sector is being negatively affected by low gas prices due to high storage levels. The recent royalty changes in Alberta have further complicated and compounded the levels of uncertainty. Oil and gas exploration and producing companies are currently assessing the impact of the new royalty rules on their businesses. In light of this uncertainty, management of the Trust expects 2008 drilling activities to be negatively impacted by the royalty changes and it is not clear when a future turnaround in these activities will occur.

Notwithstanding the success of its non-oil and gas businesses, Petrowest may be significantly affected by the recent Alberta royalty changes.

Consequently, the Trust is announcing a reduction of its monthly distribution to \$0.03 per month (\$0.36 per annum) commencing with the distribution to be paid on December 15, 2007 to unitholders of record on November 30, 2007. The Trust units will commence trading on an ex-distribution basis on November 28, 2007. Maintenance of the Trust's distribution level to day has resulted in the elimination of all current taxes.

The retained cash will be utilized in the short term to maintain a strong balance sheet and to enable the Trust to pursue accretive growth opportunities, including in the non-oil and gas sector. In conjunction with the reduction of distributions, management will be reviewing further alternatives to reduce costs and enhance operational synergies and performance in order to have a stronger operation moving forward and an organization that will be prepared to benefit from a rebound in activity levels.

NON-GAAP MEASURES

In this MD&A, the Trust uses the term "Standardized Distributable Cash" to refer to the amount of cash as defined in the interpretive release by the Canadian Institute of Chartered Accountants ("CICA") that is expected to be available for distributions to the unitholders; the term "Adjusted Distribution Base" to refer to the adjusted amount of cash available for distribution to unitholders based on entity specific adjustments to Standardized Distributable Cash; the term "EBITDA" to refer to earnings before income taxes, interest expenses, 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. The terms Standardized Distributable Cash, Adjusted Distribution Base, EBITDA and EBITDA Margin are not measures recognized by Canadian generally accepted accounting principles ("GAAP") and do not have standardized meanings prescribed by GAAP and therefore may not be comparable to performance measures presented by others.

Readers are cautioned that "Standardized Distributable Cash", "Adjusted Distribution Base", "EBITDA" and "EBITDA Margin" should not be considered as alternatives to net earnings, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP.

Management believes that EBITDA and EBITDA Margin are useful supplementary measures as they provide indications of operating results without regard as to financing or taxation.

Standardized Distributable Cash and Standardized Distributable Cash Payout Ratio are newly defined cash flow measures to be used by Canadian income funds as an indicator of cash flow performance. The estimates of Standardized Distributable Cash have been prepared using assumptions defined in the interpretive release from the CICA. Management has also provided calculations of the Adjusted Distribution Base which management believes are useful supplemental measures to Standardized Distributable Cash. The Adjusted Distribution Base and Adjusted Distribution Base Payout Ratio have been calculated based on assumptions that management's believes are the Trust's planned course of action given management's judgment about the most probable set of economic conditions. 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.

DESCRIPTION OF BUSINESS

Petrowest is involved in pre-drilling and post-completion energy services, infrastructure 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. Petrowest's operations have been segregated into four limited 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 Services Rentals LP

Petrowest Services Rentals 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 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

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 nine private service companies (the "Acquired Companies"). The 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 \$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. The transaction closed on September 7, 2006 and the Trust commenced commercial operations on that date. See note 4(a) to the interim consolidated financial statements for further details.

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 \$93.3 million. See note 4(b) to the interim consolidated financial statements for further details.

(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"). Petrowest will provide a combination of services on a revenue sharing basis within the WCFN on their 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 \$4.0 million. Petrowest paid \$2.0 million on closing, retired \$1.4 million of equipment debt subsequent to the quarter end and the remaining \$0.6 million 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 warrant consideration was valued at \$270,000 using a Black-Scholes pricing model. See note 4(c) to the interim consolidated financial statements for further details.

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 nine month periods ending September 30, 2007 have no full quarter comparative figures for the same period in the previous year, as the Trust was not yet created. In addition, the acquisitions completed on May 18, 2007 reflect only the impact of the Newly Acquired Companies from the date of acquisition on May 18, 2007 to the end of Q2 and are not reflected in the previous quarters.

| <u>\$000s</u> <i>except per unit amounts, margins and ratios</i> | <u>Q3 2007</u> | <u>Q2 2007</u> | <u>Q1 2007</u> | <u>Q4-2006</u> | <u>Q3-2006 (Stub) ⁽¹⁾</u> |
|---|----------------|-----------------|----------------|----------------|--------------------------------------|
| Revenue by segment | | | | | |
| Construction | 21,402 | 7,192 | 9,984 | 11,089 | 2,520 |
| Transportation | 11,014 | 5,568 | 11,307 | 11,954 | 3,726 |
| Civil | 16,316 | 11,705 | 9,951 | 10,124 | 3,697 |
| Rentals | 2,124 | 2,669 | 1,621 | 2,662 | 964 |
| Total revenue | 50,856 | 27,134 | 32,863 | 35,829 | 10,907 |
| Operating expenses by segment | | | | | |
| Construction | 14,820 | 7,119 | 7,663 | 7,820 | 1,857 |
| Transportation | 9,344 | 7,022 | 9,507 | 9,649 | 3,052 |
| Civil | 11,901 | 9,798 | 6,809 | 6,567 | 2,242 |
| Rentals | 1,506 | 529 | 1,367 | 1,051 | 604 |
| Total operating expenses | 37,571 | 24,468 | 25,346 | 25,087 | 7,755 |
| Administrative expenses | 379 | 1,638 | 1,691 | 1,291 | 507 |
| Earnings before other items | 12,906 | 1,028 | 5,826 | 9,451 | 2,645 |
| Gain (loss) on disposal of assets | (299) | 11 | (246) | 20 | 58 |
| Interest income | 47 | 98 | 50 | 82 | 5 |
| EBITDA ⁽²⁾ | 12,654 | 1,137 | 5,630 | 9,553 | 2,708 |
| Income taxes | (467) | 11,969 | - | - | - |
| Amortization of property and equipment | 8,626 | 6,620 | 5,131 | 4,682 | 1,142 |
| Amortization of intangible assets | 3,043 | 2,517 | 2,180 | 2,113 | 672 |
| Interest | 1,581 | 1,102 | 544 | 141 | 132 |
| Net earnings (loss) | (129) | (21,071) | (2,225) | 2,617 | 762 |
| Net earnings (loss) per unit basic and diluted | (\$0.00) | (\$0.69) | (\$0.08) | \$0.09 | \$0.03 |

Notes

(1) Q3-2006 Stub is for the period from inception on July 6, 2006 to September 30, 2006, however commercial operations commenced on September 7, 2006.

(2) See "Non-GAAP Measures"

RESULTS ANALYSIS

For comparative purposes only, Petrowest has provided certain quarterly and year to date proforma financial information based on information prepared by the management of the Acquired Companies and the Newly Acquired Companies on a calendar year basis. This information has been provided as supplemental to the unaudited interim consolidated financial statements for the periods ended September 30, 2007 and 2006. The proforma 2007 financial information has been prepared as if the Newly Acquired Companies acquired on May 18, 2007 had been acquired effective January 1, 2007. The proforma 2006 financial information has been prepared as if Acquired Companies had been acquired effective January 1, 2006.

REVENUE

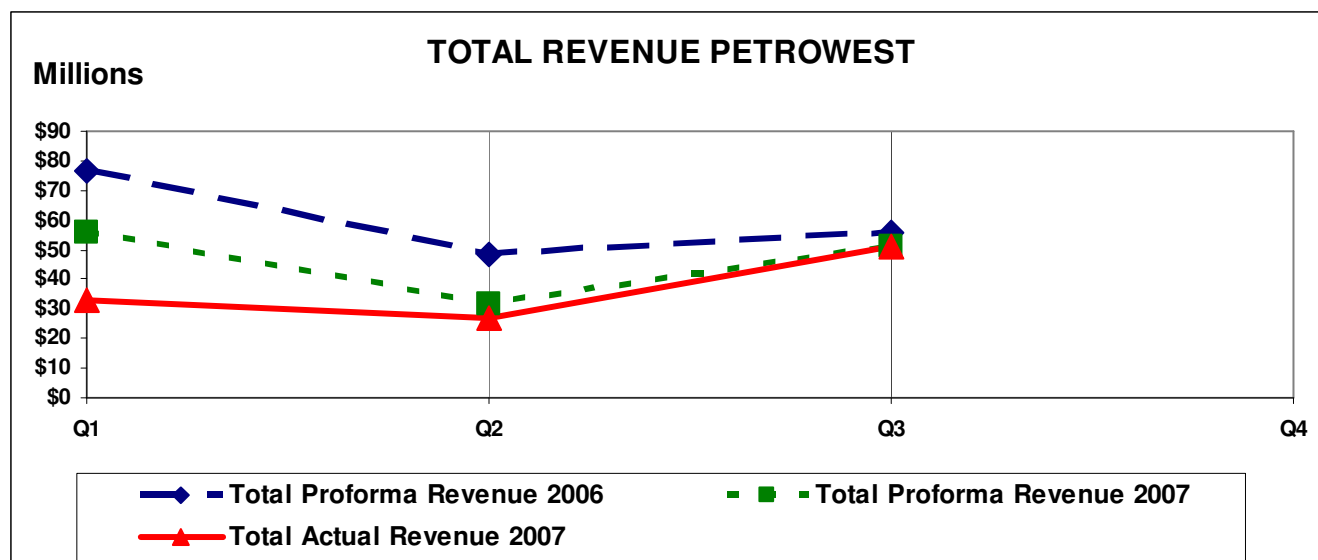
Petrowest's total revenue for the three and nine months ended September 30, 2007 and 2006 was \$50.9 million and \$110.9 million (2006 - \$10.9 million).

On a proforma basis, as if all business segments had been acquired effective January 1 of each respective year, the total revenue for the three and nine months ended September 30, 2007 and 2006 was \$50.9 million and \$138.6 million (2006 proforma - \$55.8 million and \$181.3 million). This represents a decrease of 8.9% in Q3 and 23.5% year to date, respectively, over the comparative proforma periods.

While proforma revenue in Q3 declined in comparison to proforma Q3 2006, activity levels were significantly higher in Q3 than in the first half of 2007. In early 2007, as management of the Trust realized that declining gas drilling activity would have a significant impact to the Trust's operations, a conscious effort was made to refocus operations toward infrastructure and commercial development as well as conventional oil and oil sand development. This effort has been largely successful and the benefit was starting to be realized in June of Q2 and resulted in improved volumes in Q3. The net result of this effort is that total volumes in Q3 are down by only 8.9% over 2006 proforma operations in spite of industry active rig count declines of approximately 27%⁽¹⁾.

Year to date revenues have declined 23.5% on a proforma basis between 2007 and 2006 as the trust was negatively impacted by the significant decline in drilling activity in Q1 as well as the adverse weather conditions, and extended spring break up experienced in Q2.

⁽¹⁾ From the Canadian Association of Oilwell Drilling Contractors ("CAODC").



Construction Segment

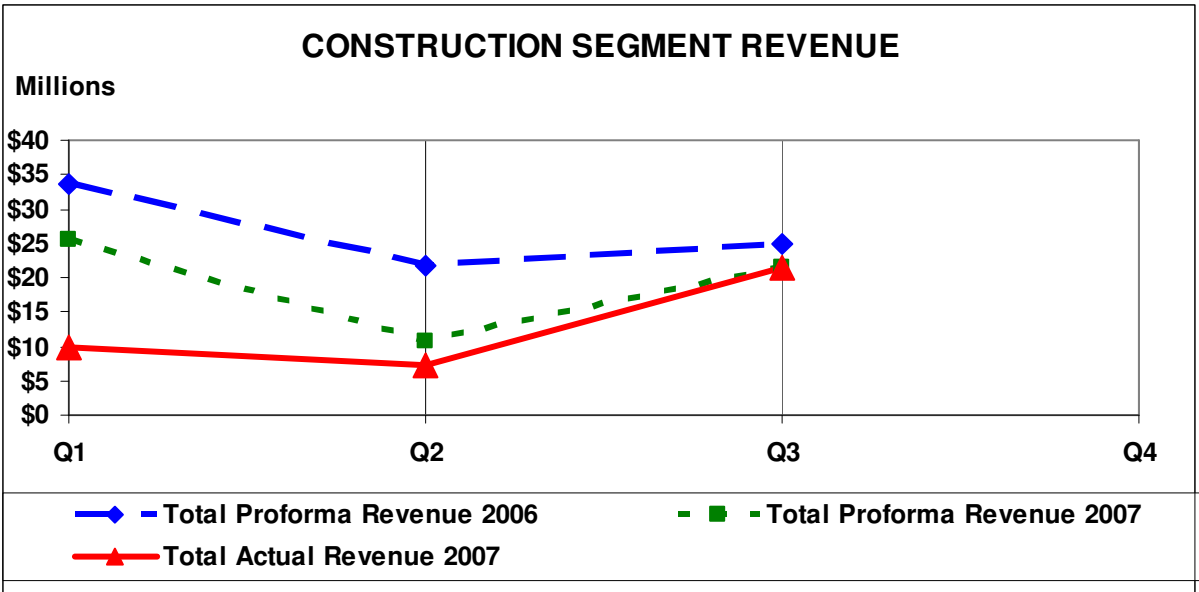
The Construction segment revenue for the three and nine months ended September 30, 2007 was \$21.4 million and \$38.6 million (2006 - \$2.5 million) comprising 42.1% and 34.8%, respectively, of the Trust's total revenue.

On a proforma basis, if all business operations within the construction segment had been acquired effective January 1 of each respective year, the total revenue for the three and nine months ended September 30, 2007 was \$21.4 million and \$57.7 million (2006 proforma - \$24.8 million and \$80.3 million). This represents a decrease of 13.9% in Q3 and 28.2% for the year to date, respectively, over the comparative proforma periods.

The Construction segment was affected in Q3 by extremely wet weather in the Grande Prairie region in August and September. While work volumes increased significantly due to a refocus of activity to the infrastructure development around the Trust operating area, the weather impact was severe.

On a year to date basis this segment was affected by a poor Q1 and Q2. This segment is on the front end of the oil and gas drilling cycle and for the first time in recent history, the Construction segment experienced an early spring shutdown, four to six weeks ahead of the drilling and completion contractors. Historically the E&P companies have continued lease and road building activities until road bans come into effect. Any leases that did not get drilled prior to spring break were the first to get drilled after the removal of road bans. This did not occur in 2007 with the Trust's clients. They appeared to identify the number of leases that could be completed from a drilling perspective to breakup, and did not complete an inventory of lease pads ahead for summer drilling purposes. This impact, combined with extremely heavy snow falls in the Trust's operating areas impeded activity levels in January and February. Recovery did not start to reoccur in this segment until June.

Demand for services in the month of June started to rebound, and while wet summer weather conditions impacted August and September, management is cautiously optimistic that this segment can perform strongly throughout Q4 2007 and Q1 2008. This expected performance is subject to revision if the recently released details of the Alberta royalty review result in cancellation of proposed drilling programs over the next number of weeks. This uncertainty and lack of clear visibility is still a concern to management. To minimize this potential impact, marketing and sales initiatives continue to focus on work associated with civil infrastructure and commercial development, the Peace River oil sands development, including the business alliance established with the Woodland Cree First Nation, and conventional oil drilling activities that should still proceed due to the high commodity price for oil.



Transportation Segment

Transportation segment revenue for the three and nine months ended September 30, 2007 was \$11.0 million and \$27.9 million (2006 - \$3.7 million) comprising 21.7% and 25.2%, respectively, of the Trust's total revenue.

On a proforma basis, if all business operations within the transportation segment had been acquired effective January 1 of each respective year, the total revenue for the three and nine months ended September 30, 2007 was \$11.0 million, and \$34.6 million (2006 proforma - \$16.7 million and \$59.7 million). This represents a decrease of 34.1% in Q3 and 41.9% for the year to date, respectively, over the comparative proforma periods.

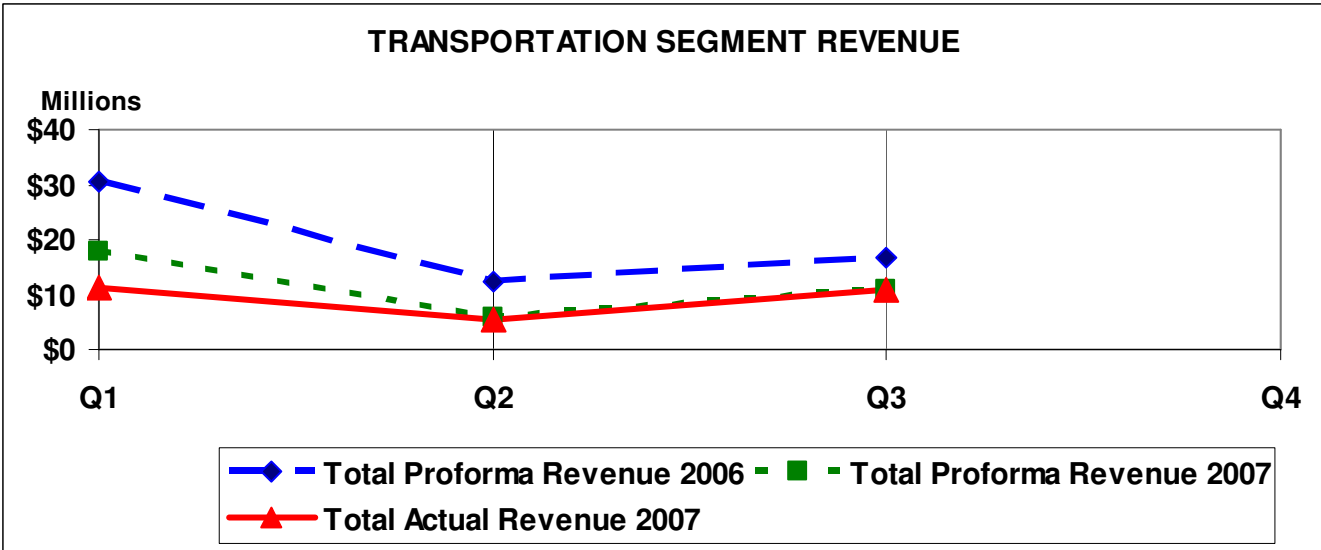
The transportation segment business has two main components. The first component in this segment is drilling rig mobilization and demobilization services. The second component consists of lighter duty hauling; primarily log hauling in the winter months and gravel hauling in the summer.

The rig moving operation has historically been, the largest single business operation in the Trust and accounted for approximately 1/2 of this segments revenue on a proforma basis. As a result of the natural gas drilling downturn, the drilling rig mobilization portion has been the hardest hit. The rig moving operation is down approximately 61% year to date compared to 2006 levels a decline of over \$18 million in revenue for the nine months ended September 30, 2007. The longer than normal spring break up and dramatically reduced summer drilling activity has contributed to this shortfall.

In an effort to minimize the impact to this segment and maximize equipment utilization, a number of trucks from the rig moving operations have been reconfigured and were utilized to assist in the light equipment and gravel hauling operations over the course of the summer.

The other transportation operations, log hauling (primarily winter) and gravel hauling (primarily spring/summer) have been operating at near full capacity although both have been impacted by weather including heavy snowfalls in the winter, a longer than normal spring breakup and wet conditions in August and September. In spite of these complications, the light trucking has compensated somewhat for the declines to the rig moving operations.

As the Trust moves into the winter drilling season we are seeing some improvement to the rig moving operation volumes and management is optimistic that Q4 2007 and Q1 2008 volumes will improve over the year to date results. Early indications are that this winter's log hauling should at least equal the winter volumes in 2006/2007.



Civil Segment

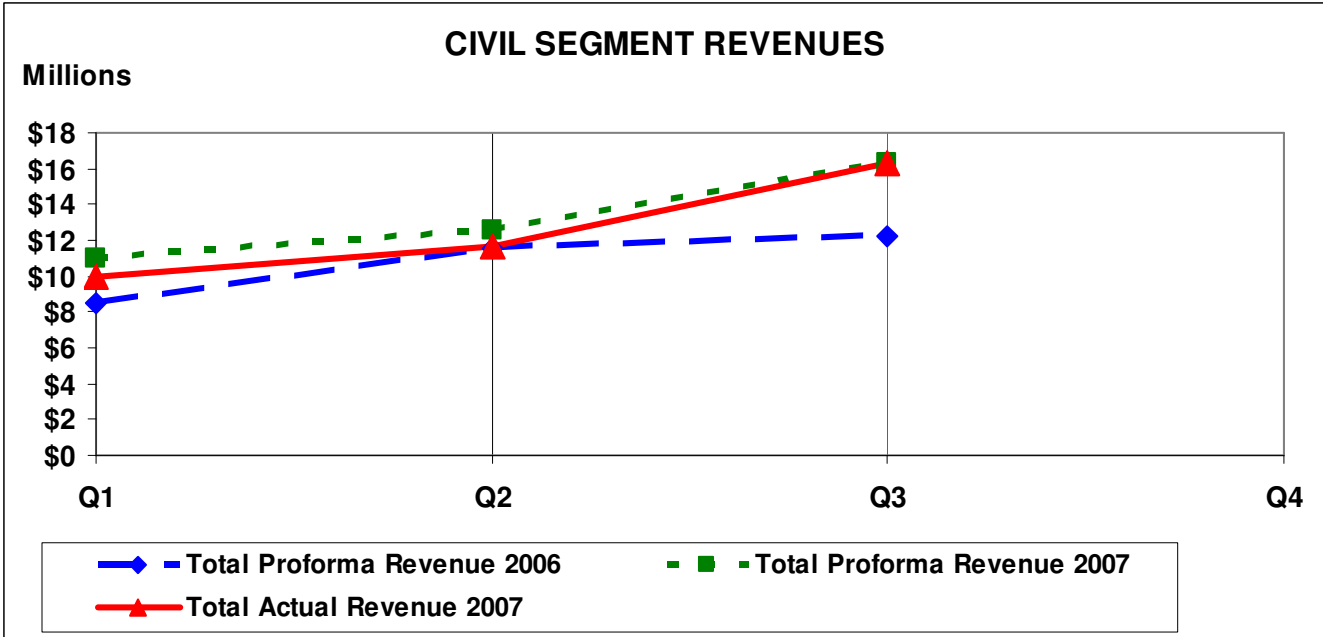
The Civil segment revenue for the three and nine months ended September 30, 2007 was \$16.3 million and \$38.0 million (2006 - \$3.7 million) comprising 32.1% and 34.3%, respectively, of the Trust's total revenue.

On a proforma basis, if all business operations within the civil segment had been acquired effective January 1 of each respective year, the total revenue for the three and nine months ended September 30, 2007 was \$16.3 million and \$39.9 million (2006 proforma - \$12.3 million and \$32.4 million). This represents an increase of 33.0% in Q3 and 23.1% for the year to date, respectively, over the comparative proforma periods.

The Civil segment has two main components. The 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. In the month of September an additional crushing spread came on line and the combination of summer volumes and the new crushing capacity accounted for the 33% increase in revenue in Q3 over the same period in 2006. Overall, on a proforma year to date basis increases in gravel crushing have offset declines in the safety services resulting in an overall increase of 23.1%.

The second component, oilfield safety services, provides air unit trailers and wash car unit services for sour gas drilling and plant turnarounds. Services provided are directly tied to drilling activity and consequently this business operation has felt the declining natural gas drilling activities throughout 2007. While the safety services operation accounted for less than 16% of the segment's historical revenues, it is currently down over 40% due to drilling declines.

It is anticipated that given the capacity increases added, and with the existing contracts that are in place volumes in Q4 2007 and Q1 2008 should exceed historical levels.

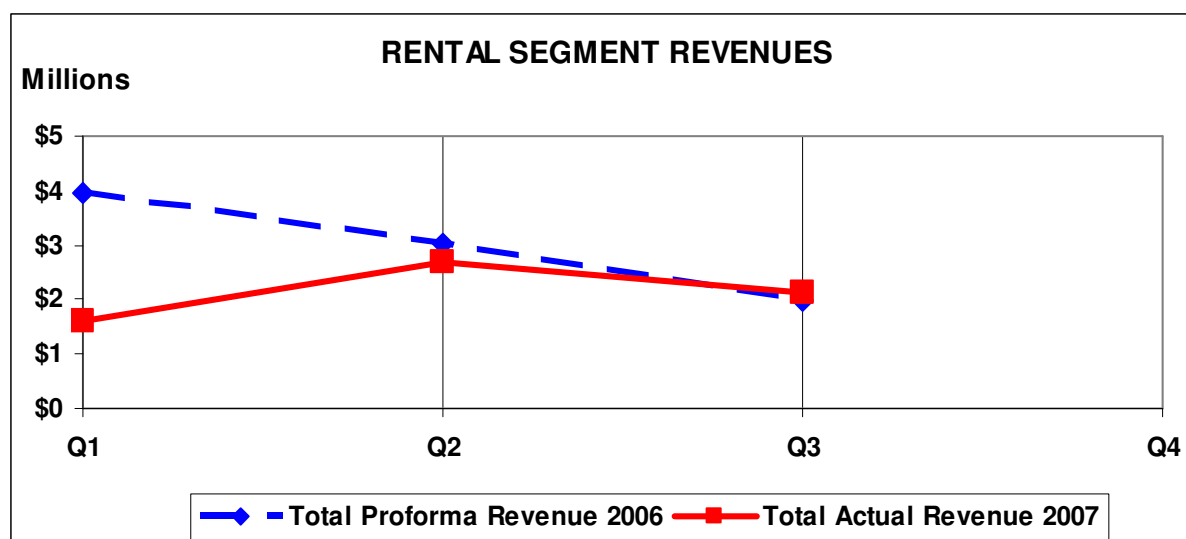


Rental Segment

The Rental segment revenue for the three and nine months ended September 30, 2007 was \$2.1 million and \$6.4 million (2006 - \$1.0 million), comprising 4.1% and 5.7%, respectively, of the Trust's total revenue.

On a proforma basis, if all business operations within the construction segment had been acquired effective January 1 of each respective year, the total revenue for the three and nine months ended September 30, 2007 was \$2.1 million and \$6.4 million (2006 proforma - \$2.0 million and \$8.9 million). This represents an increase of 7.3% in Q3 and a decline of 28.3% for the year to date, respectively, over the comparative proforma periods.

Drilling slowdowns, delays to oil sand projects in Fort McMurray and a slow pipeline construction sector, resulted in reduced demand for rental equipment over the winter and spring months of 2007. The month of June returned to near record levels and Q3 revenues increased over 2006 comparable levels due to larger capacity (more equipment to rent). Management anticipates that there should be reasonably strong equipment utilization for the remainder of 2007 and into Q1 of 2008 although it is expected that rock trucks located in the Fort McMurray oil sands projects will be laid off for the months of November and December due to delays to oil sand projects. Short term rentals for these units are being sought during this period.



INTER-SEGMENT REVENUES

Eliminated from the interim consolidated financial statements are \$4.2 million and \$8.2 million for the three and nine month periods ending September 30, 2007 representing inter-segment sales and the offsetting costs equal to the same amount. 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.

The inter-segment revenue is a useful indicator of the value of operating synergies realized between the operating divisions. Had the level of co-operation not existed the value of this revenue elimination would have been paid to outside third party contractors and would result in the loss of profit on intersegment sales. Based on average EBITDA margins throughout the Trust of 25.5% for Q3 and 18% year to date the value of the operating synergies realized is approximately \$1.1 million in Q3 and approximately \$1.5 million year to date.

OPERATING EXPENSES AND GROSS MARGIN

Total operating expenses on a consolidated basis for the three and nine months ended September 30, 2007 were \$37.6 million and \$87.4 million (2006 - \$7.8 million).

| Total operating expense changes by segment In \$000's | Three months ended September 30, 2007 | Operating expenses as a % of revenue | Nine months ended September 30, 2007 | Operating expenses as a % of revenue |
|--|---|--|--|--|
| Construction segment | 14,820 | 69.2% | 29,604 | 76.7% |
| Transportation segment | 9,344 | 84.8% | 25,874 | 92.3% |
| Civil segment | 11,902 | 72.9% | 28,184 | 74.2% |
| Rentals segment | 1,505 | 70.9% | 3,724 | 58.1% |
| Total | 37,571 | 73.8% | 87,386 | 78.8% |

Operating expenses as a percentage of revenue improved in Q3 compared to the year to date in all segments except equipment rentals. The efficiencies created by larger volumes of revenue in Q3 offset the previous higher operating costs due to low utilization rates in Q1 and Q2 and inclement weather conditions experience by the Trust thus far in 2007.

Major cost items that have 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 higher labor and equipment rental costs are tied to the additional equipment capacity that 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 and the resulting underutilized capacity has an ongoing burden to margins until volume of activity increases.

Rentals segment margins decreased in the quarter due to lower equipment utilization. Overall rental revenue was up in the quarter as a result of more pieces of equipment available to rent, however the costs of the additional capacity, negatively affected margins in the quarter.

PROFORMA OPERATING EXPENSES AND GROSS MARGIN

On a proforma basis, if all business operations within the Trust had been acquired effective January 1 of each respective year, operating expenses by segment and gross margins would have been as follows:

On a proforma basis, the total operating expenses for the three and nine months ended September 30, 2007 was \$37.6 million and \$107.5 million (2006 proforma - \$39.4 million and \$127.8 million). This represents a decrease in operating expenses of 4.7% in Q3 and 15.8% for the year to date, respectively, over the same proforma periods provided for comparative purposes. However, in the same periods revenue decreased by 8.9% in Q3 and 23.5% for the year to date. The resulting differences of 4.2% in Q3 and 7.7% for the year to date reflect an erosion of margins in those periods.

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 proforma comparative period in 2006.

| Operating expense changes by segment | Proforma three months ended September 30 | | | | Proforma nine months ended September 30 | | | |
|---|---|----------------|--------|----------------|--|----------------|---------|----------------|
| | | % of rev | | % of rev | | % of rev | | % of rev |
| | 2007 | | 2006 | | 2007 | | 2006 | |
| Construction segment | 14,820 | 69.2% | 17,425 | 70.1% | 42,539 | 73.7% | 56,505 | 70.3% |
| Transportation segment | 9,344 | 84.8% | 14,751 | 88.2% | 31,286 | 90.3% | 45,752 | 76.7% |
| Civil segment | 11,902 | 72.9% | 6,557 | 53.5% | 29,948 | 75.1% | 21,603 | 66.7% |
| Rentals segment | 1,505 | 70.9% | 671 | 76.1% | 3,724 | 58.1% | 3,924 | 43.9% |
| Totals | 37,571 | 73.8% | 39,404 | 70.6% | 107,497 | 77.6% | 127,784 | 70.5% |

In Q3, on a proforma basis, margins improved in all segments except the civil segment. The return to higher volumes, almost to the levels of Q3 2006, combined with improved synergies in operations resulted in a net improvement in margins for the quarter. The civil segment experienced a reduction in margins due to startup costs of one new crushing spread.

On a year to date basis, the significant decline in overall business volumes as well as productivity losses as a result of heavy snowfalls in the winter months and extremely wet weather in August and September impacted all segments. Labor costs were higher as a percentage of revenue in all segments partially due to the difficulty in managing around bad weather, and partially due to overall higher capacity levels. The Trust's fixed cost infrastructure is capable of handling higher levels of activity and 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 repositioning of certain equipment 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. In early Q2 management also commenced the process of implementing various cost cutting measures. Management has realized some of these benefits in Q3 and is continuing to work on both increases in revenue and cost savings.

GENERAL AND ADMINISTRATIVE

General and administrative expenses for the three and nine months ended September 30, 2007 were \$0.4 million and \$3.7 million (2006 – \$0.5 million), respectively. As a percentage of revenue general and administrative costs were 0.01% and 3.3%, respectively, of revenue. On July 27, 2007 the Trust cancelled its option plan and reversed non-cash compensation costs recorded in previous quarters in the amount of approximately \$0.9 million. Excluding the reversal of the non-cash compensation expenses, general and administrative costs were comparable to Q1 and Q2 expense levels.

Significant cost items included in this category are accounting and administrative staff, audit and accounting fees, public company costs, consulting costs and staff training costs associated with the integration of the Newly Acquired Companies.

AMORTIZATION OF PROPERTY AND EQUIPMENT

Amortization for the three and nine months ending September 30, 2007 was \$8.6 million and \$20.4 million, respectively. 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 was \$1.6 million in Q3, comparable to the total interest expense for the first half of 2007, due to the increased borrowings incurred to finance the acquisitions and business alliance completed in Q2.

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 its 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%. 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 \$12.0 million 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 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 nine months ended September 30, 2007 was \$0.1 million and \$23.4 million respectively. This represents a net loss per unit of \$0.00 and \$0.77, respectively, basic and fully diluted. Included in the net loss is an adjustment for future income taxes as a result of Bill C-52. Excluding the

impact of the future income tax adjustment net loss for the period would be \$0.6 million and \$11.9 million respectively. This represents a net loss per unit before future income tax adjustment of \$0.02 and \$0.39, respectively, basic and fully diluted.

RECONCILIATION OF CASH FLOW FROM OPERATIONS TO STANDARDIZED DISTRIBUTABLE CASH AND ADJUSTED DISTRIBUTION BASE

The Canadian Institute of Chartered Accountants (“CICA”) issued the Interpretive Release “Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities” in July 2007, which is effective for the third quarter of 2007. The interpretive release has been adopted by Petrowest in this MD&A. In the new guidance, sustainability concepts are discussed and standardized distributable cash is defined as cash provided from operating activities less total capital expenditures as defined by GAAP and the effect of any foreseeable contractual limitations or financing matters, related to debt covenants, which could impair the Trust’s ability to pay distributions.

| \$000s | For the three months ended September 30, 2007 | For the nine months ended September 30, 2007 | For the period ended September 30, 2006 | Since inception |
|--|---|--|---|--------------------|
| Cash provided from operating activities | 1,883 | 1,772 | 2,902 | 5,762 |
| Expenditures for property and equipment net of proceeds on disposal | (2,760) | (10,963) | 1,693 | (25,052) |
| Expenditures for intangible assets acquired in connection with business alliance | (1,425) | (1,499) | - | (1,499) |
| Restrictive bank covenants | - | - | - | - |
| STANDARDIZED DISTRIBUTABLE CASH (SHORTFALL) ⁽¹⁾ | (2,302) | (10,690) | 4,595 | (20,789) |
| Distributions declared | 5,661 | 23,508 | 2,624 | 34,158 |
| Distributions funded from cash, revolving bank term loan and DRIP | 5,661 | 23,508 | - | 34,158 |
| STANDARDIZED DISTRIBUTABLE CASH (SHORTFALL) PER UNIT BASIC AND FULLY DILUTED | (\$0.07) | (\$0.35) | \$0.16 | (\$0.73) |
| RATIO OF UNITHOLDER DISTRIBUTIONS TO STANDARDIZED DISTRIBUTABLE CASH ⁽²⁾ | N/A | N/A | 57% | N/A |

⁽¹⁾ See "Non-GAAP Measures".

⁽²⁾ The ratio of Unitholder distributions to Standardized Distributable Cash for the three and nine months ended September 30, 2007 and since inception cannot be calculated as Standardized Distributable Cash is negative for those periods.

Cash provided from operating activities are the GAAP measure used as a starting point in the calculation Standardized Distributable Cash. These cash flows include amounts provided for or consumed by changes in working capital balances, which in the case of Petrowest are impacted by the seasonal nature of the business. Under the definition of Standardized Distributable Cash no adjustment is made for the impact of the seasonal impacts of the Trust's business.

Cash provided from operating activities is reduced by total capital expenditures net of proceeds on disposition in accordance with GAAP. Net capital expenditures, for purposes of the definition of Standardized Distributable Cash, are not segregated between maintenance capital expenditures and growth capital expenditures. Net capital expenditures for the three and nine months ended September 30, 2007 and the period ended September 30, 2006 respectively were approximately \$2.8 million and \$11 million (2006 - recovery of (\$1.7 million)) including tangible assets acquired under the Woodland Cree business alliance. Since inception tangible asset additions are approximately \$25.1 million

Cash provided from operating activities is also reduced by total expenditures for tangible or intangible assets acquired in the period regardless of whether the acquisition is recurring or one time in nature. The Woodland Cree business alliance resulted in the acquisition of \$1.4 million and \$1.5 million for the three and nine month periods ended September 30, 2007 respectively of intangible assets. Accordingly Standardized Distributable Cash Flow has been reduced by this amount in the three and nine months ended September 30, 2007.

Cash provided from operating activities are further reduced by any amounts that are restricted by contractual limitations or bank covenants. As a September 30, 2007, Petrowest was compliant with all financing covenants and had no restrictions on Standardized Distributable Cash.

STANDARDIZED DISTRIBUTABLE CASH AND PAYOUT RATIO

Standardized distributable cash is meant to provide a standard base among various distributing trusts to evaluate long term sustainability. Long term distribution capacity is dependent on the generation of positive cash flows from operations in excess of maintenance capital and growth capital requirements. Long term negative Standardized Distributable Cash would suggest that an entity would not be able to maintain distributions. In addition, distributions paid in excess of Standardized Distributable Cash would suggest that a return on invested capital has been provided to shareholders in the amount of the distributions not financed by the Standardized Distributable Cash. Management believes that the current negative Standardized Distributable Cash, or Standardized Distributable Cash less than current distributions, is an indicator that the Trust has surplus capacity in certain segments that have not contributed to the cash flow from operations. Management further believes that a return to higher utilization in these segments, has the potential to generate positive Standardized Distributable Cash that will support future capital needs and distribution levels.

The ratio of Unitholder distributions to Standardized Distributable Cash cannot be calculated for the three and nine months ended September 30, 2007, or the period since inception, due to negative standardized distributable cash. The ratio of Unitholder distributions to Standardized Distributable Cash for the period ended September 30, 2006 is 0%. Cash shortfalls and cash distributions were financed by debt borrowing, funds provided from the DRIP program in the amount of \$2.4 million, and utilization of cash acquired on the acquisitions.

ADJUSTED DISTRIBUTION BASE

The CICA release provides for the presentation of entity specific adjustments to Standardized Distributable Cash which management believes are relevant in evaluating long term sustainability of Petrowest's operations and the potential for future distributions. These entity specific adjustments are identified separately and the total of such adjustments are defined as the entities "Adjusted Distribution Base."

| \$000s | For the three months ended September 30, 2007 | For the nine months ended September 30, 2007 | For the period ended September 30, 2006 | Since inception |
|---|--|---|--|--------------------|
| STANDARDIZED DISTRIBUTABLE CASH (SHORTFALL) | (2,302) | (10,690) | 4,595 | (20,789) |
| Changes in non cash working capital items funded by revolving term line of credit | 8,591 | 14,671 | (278) | 22,949 |
| Expenditures for growth property and equipment funded by revolving term line of credit | 2,760 | 10,963 | (1,693) | 25,052 |
| Expenditures for intangible assets acquired in connection with business alliance funded by revolving term line of credit | 1,425 | 1,499 | - | 1,499 |
| ADJUSTED DISTRIBUTION BASE (1) | 10,474 | 16,443 | 2,624 | 28,711 |
| Distributions declared | 5,661 | 23,508 | 2,168 | 34,158 |
| Surplus over distributions paid (distributions shortfall funded from revolving bank term loan and DRIP) | 4,813 | (7,065) | 456 | 5,447 |
| ADJUSTED DISTRIBUTION BASE PER UNIT BASIC AND FULLY DILUTED | \$0.32 | \$0.54 | \$0.09 | \$1.01 |
| RATIO OF UNITHOLDER DISTRIBUTIONS TO ADJUSTED DISTRIBUTION BASE | 54% | 143% | 83% | 119% |

(1) See "Non-GAAP Measures".

ENTITY SPECIFIC ADJUSTMENTS

Seasonal impacts on Cash Flow

The Trust strives to fund distributions primarily from cash 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 a revolving term loan 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. The Trust believes this seasonal impact will be ongoing and accordingly has adjusted for this seasonal impact in the calculation of the Adjusted Distribution Base.

Productive Capacity

The Trust strives to fund maintenance capital expenditures from cash flow from operations. The Trust defines maintenance capital expenditures to be capital expenditures replacing older equipment reaching the end of its life cycle. The expenditure of maintenance capital would not normally increase capacity or revenue generating potential, but rather maintain it. Equipment is evaluated based on hours of service, expected maintenance requirements as equipment reaches certain hour thresholds and residual values. Equipment is rotated based on these criteria. Occasionally equipment will be refurbished rather than replaced, thereby extending the useful life of the asset. The total of both replacement of older equipment and refurbishment is included in the estimate of maintenance capital expenditures.

The Trust typically acquires equipment that has estimated usable lives of over four years without the expectation of high maintenance refurbishment over that period. Inversely, equipment that can be expected to require major refurbishment within the four year period is usually financed by way of operating leases. This shorter life equipment is turned over within the four year period but requires no provision for maintenance capital expenditure. In light of the current significant weakening of the energy sector activity and current lower overall equipment utilization, management believes that the sizeable capital expenditures incurred since inception, provide the Trust with the capacity to sustain operations into 2008 without the need for additional maintenance capital expenditures.

It is anticipated that a return to higher levels of energy sector activity will require future expenditures for maintenance capital 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, equipment utilization and residual values of equipment.

Growth capital expenditures would typically be funded by combinations of operating leases, debt and Trust unit capital. Since inception, Petrowest's productive capacity has increased significantly with the addition of equipment financed by debt and operating leases. These fixed asset additions (actual number of pieces of equipment added) have increased the capacity of each operating segment by more than 25%. In addition, the acquisitions on May 18, 2007 of the Newly Acquired Companies 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 cost of the Newly Acquired Companies has been financed by debt and the issue of Units of the Trust.

Net property and equipment asset acquisitions incurred in the nine months ended September 30, 2007 was approximately \$12.2 million including assets acquired in the Woodland Cree business alliance and assets purchased under capital leases. These 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 and oil sands development. As these acquisitions have been targeted towards growth, and not a replacement of existing assets, and meet the specific entity financing criteria defined above, these additions have been adjusted for as part of the calculation of the Adjusted Distribution Base.

LIQUIDITY

Working Capital

| \$000s | As at September 30 2007 | As at December 31 2006 |
|---|-------------------------------|------------------------------|
| Cash (bank overdraft) | (6,705) | 9,312 |
| Accounts receivable | 59,092 | 38,498 |
| Prepaid expenses and deposits | 1,990 | 1,517 |
| Inventory | 4,507 | 3,454 |
| Accounts payable and accrued liabilities | (21,748) | (20,296) |
| Income taxes payable | (913) | - |
| Distributions payable | (2,799) | (3,245) |
| Purchase price adjustment payable | (575) | (6,422) |
| Current portion of obligations under capital leases | (379) | (87) |
| Working capital | 32,470 | 22,731 |

Working capital at September 30, 2007 was approximately \$32.5 million representing an increase of approximately \$9.8 million since December 31, 2006. Of this increase, approximately \$3.0 million was acquired in the acquisitions described in note 4(b) to the financial statements. The remaining \$6.8 million increase has evolved from increases in accounts receivable due to volume increases in the months of June to September of 2007 and slower accounts receivable collections. The settlement of the purchase price adjustments on the Acquired Companies has reduced overall payables and therefore has had the affect of increasing working capital balances.

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

DISTRIBUTED CASH AS IT RELATES TO LIQUIDITY

| \$000s | For the three months ended September 30, 2007 | For the nine months ended September 30, 2007 | For the period ended September 30, 2006 | Since inception |
|---|---|--|---|--------------------|
| Cash provided from operating activities | 1,883 | 1,772 | 2,902 | 5,762 |
| Net earnings (loss) | (129) | (23,425) | 762 | (20,046) |
| Standardized Distributable Cash (shortfall) | (2,302) | (10,690) | 4,595 | (20,789) |
| Adjusted Distribution Base | 10,474 | 16,443 | 2,624 | 28,711 |
| Total distribution declared | 5,661 | 23,508 | 2,168 | 34,158 |
| Excess (shortfall) of cash flows from operations over distributions declared | (3,778) | (21,736) | 734 | (28,396) |
| Excess (shortfall) net earnings (loss) over distributions declared | (5,790) | (46,933) | (1,406) | (54,204) |
| Excess (shortfall) standardized distributable cash over distributions declared | (7,963) | (34,198) | 2,427 | (54,947) |
| Excess (shortfall) adjusted distribution base over distributions declared | 4,833 | (7,065) | 456 | (5,447) |

Cash provided from operating activities, net earnings (loss), Standardized Distributable Cash and Adjusted Distribution Base are all measures of operating performance and are used by investors to determine long term sustainability of operations and distributions. Distributions paid in excess of any of these measures could be inferred to represent an economic return of capital.

Management believes that the most appropriate measure of ongoing sustainability and liquidity is the measure of distributions paid over the Adjusted Distribution Base. This measure most closely represents the entity specific conditions of the Trust and management's objectives and beliefs regarding future sustainability of distributions.

The ongoing slowdown in oil and gas exploration activity has negatively impacted cash flows year to date. 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 cash on hand, the revolving bank term loan and the DRIP. The Trust reduced distributions by 40% to \$0.06 per unit effective the month of July to a level consistent with anticipated level of profitability of the Trust given current industry levels.

The significant turn around in performance in operations since June of 2007 contributed to a 54% payout ratio based on the Q3 adjusted distribution base. This has brought distributions considerably closer to overall Adjusted Distribution Base generated to date and the Trust's overall objective to ensure that distributions are maintained at a level less than this performance indicator.

Due to the activity risks in the oil and gas industry, the effects of the current Alberta royalty changes and lack of visibility associated with these changes, and concurrent with the release of this MD&A, the Board of Directors of Petrowest have further reduced distributions to \$0.03 per month or \$0.36 per annum effective for the distribution payable December 15, 2007.

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. There can be no assurance that distributions can be maintained at current reduced levels in the future.

REVOLVING BANK TERM LOAN

On September 28, 2007, the Trust extended its \$120.0 million credit facility available for growth capital, acquisitions and working capital needs to November 2008 and amended certain financial covenants. 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 2008 which may be extended for an additional 364 days at the discretion of the lender on application by the Trust. If not renewed or extended, principal is then repayable in twelve equal quarterly installments over 36 months starting ninety days after the end of the revolving term. The Trust's credit facility is subject to renewal in November 2008. 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.

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. Current EBITDA levels require payment of interest at prime plus 1%.

As at September 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 acquisition of the Newly Acquired Companies and the business alliance with the WCFN. The remainder of the drawn component of the facility has been utilized for the purchase of equipment, working capital needs and to fund distributions.

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 1. The Trust's ratio at Q3 is 1.98 to 1.
- Funded debt to four quarter's trailing EBITDA ratio of not greater than 2.50 to 1. The Trust's ratio at Q3 is 2.33 to 1. Commencing after Q3 2008, the current ratio will decrease to 2.25 to 1.
- Fixed charge coverage of not less than 1 to 1. The Trust's ratio at Q3 is 1.23 to 1.
- Funded debt to capitalization of not more than 0.5 to 1. The Trust's ratio at Q3 is 0.29 to 1.

In the event the Trust fails 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 the suspension of future distribution payments.

The Trust is compliant on all debt covenants and believes that the reduction of distributions in July and again in November of 2007 will allow the Trust to reduce its level of borrowings under the credit facility over time.

The Trust's long term goal is maintain a debt to EBITDA ratio of approximately 1 to 1. The current debt levels and debt to EBITDA ratio was incurred to fund the cash portion on the acquisition of the Newly Acquired Companies and is viewed as a level that needs to be reduced on a priority basis. It is anticipated that cash flows in excess of distributions will allow the partial retirement of debt in an orderly manner down to the desired borrowing level of 1 to 1 over the medium term depending on industry activity levels.

CONTRACTUAL OBLIGATIONS – PAYMENTS DUE BY PERIOD

As at September 30, 2007

| \$000s | < 1 year | 1 - 3 Years | 4 - 6 Years | Thereafter | Total |
|---|---------------|----------------|--------------|------------|----------------|
| Revolving bank term loan | - | 90,000 | - | - | 90,000 |
| Obligations under capital leases | 379 | 791 | - | - | 1,170 |
| Operating leases on equipment | 10,895 | 14,721 | 280 | - | 25,896 |
| Operating leases on offices, shop and yards | 2,060 | 5,164 | 1,554 | - | 8,778 |
| TOTAL | 13,334 | 110,676 | 1,834 | - | 125,844 |

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

| | Trust Units Outstanding | Subordinated Units Outstanding | Total Outstanding | Value \$00'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)) | <u>12,765,094</u> | | <u>12,765,094</u> | <u>127,651</u> |
| 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 | <u>-</u> | <u>-</u> | <u>-</u> | <u>(3,020)</u> |
| 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" | 430,270 | - | 430,270 | 2,440 |
| Issued on the acquisition of the Newly Acquired Companies (note 4 (b)) | <u>4,351,622</u> | <u>-</u> | <u>4,351,622</u> | <u>32,316</u> |
| Total units outstanding as at September 30, 2007 | <u>31,556,986</u> | <u>1,510,000</u> | <u>33,066,986</u> | <u>292,107</u> |
| Weighted average units outstanding three months ended September 30 basic and diluted | <u>31,392,498</u> | <u>1,510,000</u> | <u>32,902,498</u> | |
| Weighted average units outstanding nine months ended September 30 basic and diluted | <u>29,018,083</u> | <u>1,510,000</u> | <u>30,528,083</u> | |

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. The DRIP program remained in place for distributions paid to November 15, 2007. The Trust has suspended the DRIP program for distributions paid on and after December 15, 2007.

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 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 one year from the date of acquisition and the remaining 75% at the end of two years from the date of acquisition.

DISTRIBUTIONS

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

Distributions to Trust Unit Holders

| <u>Record Date</u> | <u>Date Paid</u> | <u>Amount per Unit</u> | <u>Distributions Declared</u> | <u>Cash Distributions Paid</u> | ⁽¹⁾ <u>DRIP Value Exercised</u> | ⁽¹⁾ <u>DRIP Units issued</u> |
|--------------------|--------------------|------------------------|-------------------------------|--------------------------------|---|--|
| 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 | \$682,856 | 93,665 |
| June 30, 2007 | July 15, 2007 | \$0.10 | \$3,122,038 | \$2,333,146 | \$788,892 | 114,698 |
| July 31, 2007 | August 15, 2007 | \$0.06 | \$1,880,105 | \$1,331,730 | \$548,375 | 118,529 |
| August 31, 2007 | September 15, 2007 | \$0.06 | \$1,887,216 | \$1,467,376 | \$419,840 | 103,378 |
| September 30, 2007 | October 15, 2007 | \$0.06 | \$1,893,419 | \$1,554,155 | \$339,264 | 105,346 |

⁽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.

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

Subsequent to the end of quarter three and concurrent with the release of this MD&A, distributions for the record date November 30, 2007 were reduced to \$0.03 per unit.

Distributions to Subordinated Unit Holders

| <u>Record Date</u> | <u>Date Paid</u> | <u>Amount per Unit</u> | <u>Total Distributions</u> |
|--------------------|------------------|------------------------|----------------------------|
| December 31, 2006 | March 23, 2007 | \$0.37667 | \$568,772 |
| January 31, 2007 | | \$0.10 | \$151,000 |
| February 28, 2007 | | \$0.10 | \$151,000 |
| March 31, 2007 | | \$0.10 | \$151,000 |
| April 30, 2007 | | \$0.10 | \$151,000 |
| May 31, 2007 | | \$0.10 | \$151,000 |
| June 30, 2007 | | \$0.10 | \$151,000 |

As per the Deed of Trust, distributions to subordinated unit holders are not payable if distributions are below \$0.10 per unit. Distributions to subordinated unit holders have not been accrued since July of 2007.

RELATED PARTY TRANSACTIONS

Petrowest paid rent for the three and nine months ended September 30, 2007 and the period ended September 30, 2006 respectively for office and shop space under leases entered into with certain former vendors in the amount of \$574,999 and \$1,491,323, (2006 - \$37,100). 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 September 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

Volatility of Industry Conditions

The demand, pricing and terms for energy services largely depend upon the level of industry activity for Canadian natural gas, oil and oil sands exploration and development. Industry conditions are influenced by numerous factors over which Petrowest will have no control, including: the level of oil and gas prices; expectations about future oil and gas prices; the cost of exploring for, producing and delivering oil and gas; the expected rates of declining current production; the discovery rates of new oil and gas reserves; available pipeline and other oil and gas transportation capacity; worldwide weather conditions; global political, military, regulatory and economic conditions; and the ability of oil and gas companies to raise equity capital or debt financing.

The level of activity in the Canadian and Alberta oil and gas exploration and production industry is currently extremely volatile. While oil prices are approaching near record inflation adjusted all time highs, natural gas pricing is remaining at low levels due to generally warmer weather, high storage levels and the impact of world wide LNG development. Further, uncertainty regarding royalty structures, climate control initiatives and the impact of the rising Canadian dollar continue to complicate energy sector decision making.

Ongoing volatility could continue to have a material adverse effect on Canadian and Alberta industry activity and Petrowest's business activity levels, financial condition, results of operations and cash flows and therefore on the distributions to Unitholders.

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 September 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 provide reasonable assurance 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 September 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 at that reasonable assurance level as at September 30, 2007 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, improved utilization rates 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 and 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 Annual Information Form dated April 2, 2007.*