

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following interim Management's Discussion and Analysis ("MD&A") is dated November 12, 2008. The MD&A should be read in conjunction with Petrowest Energy Services Trust's ("Petrowest" or the "Trust") audited consolidated financial statements and the accompanying MD&A for the year ended December 31, 2007 and the unaudited interim consolidated financial statements for the three and nine months ended September 30, 2008 and the notes contained therein.

COMPARATIVE AND CURRENT PERIOD

The current periods for the three and nine months ended September 30, 2008 include results for the five companies acquired on May 18, 2007 ("2007 Acquired Companies"). The operations and financial results of these acquisitions are included in the September 30, 2008 unaudited interim consolidated financial statements. The comparable periods for the three and nine months ended September 30, 2007 contain the financial results of these five acquisitions for the 136 day period from May 18, 2007 to September 30, 2007.

NON-GAAP MEASURES

The unaudited interim consolidated financial statements and the notes contained therein were prepared in accordance with generally accepted accounting principles ("GAAP"). This MD&A uses various non-GAAP financial measures, which are not recognized under GAAP, as supplemental indicators of the Trust's operating performance and financial performance. These non-GAAP financial measures are provided to enhance the user's understanding of Petrowest's financial performance. Management believes that these measures provide useful information and that they exclude amounts that are not indicative of the Trust's core operating results and ongoing operations, and therefore provide a more consistent basis for comparison between periods. These measures do not have a standardized meaning and may not be comparable to similar non-GAAP measures provided by other issuers.

Readers are cautioned that these non-GAAP measures should not be considered alternatives to net earnings, cash flow from operating activities or other financial measures of performance calculated in accordance with GAAP. The following defines the non-GAAP measures that are used and management's view of why they are viewed as providing incremental informational value to readers.

Gross Margin – This measure is calculated as revenue less operating expenses and is considered a prime indicator of operating performance prior to general and administrative expenses, and before costs of financing, taxes and the consummation of assets by amortization.

Gross Margin Percentage – Calculated as gross margin divided by revenue.

EBITDA – Calculated as earnings before interest expense, income taxes, amortization and gains or losses on disposal of capital assets (including intangible assets). This measure is considered to be an indicator of the Trust's ability to generate cash flows to fund working capital, service debt, pay current taxes, fund capital expenditures and pay distributions.

EBITDA Margin Percentage – Calculated as EBITDA divided by revenue.

Standardized Distributable Cash – This measure is intended to provide a standard measure of cash available for distribution to unitholders and is calculated as cash flow from operating activities less total capital expenditures and any restrictions on distributions arising from compliance with financial covenants. See "*Standardized Distributable Cash and Adjusted Distribution Base*" for further discussion.

Standardized Distributable Cash Payout Ratio – Calculated as distributions divided by Standardized Distributable Cash. See "*Standardized Distributable Cash and Adjusted Distribution Base*" for further discussion.

Adjusted Distribution Base – This measure is considered a prime indicator of the cash generated from operations available to fund working capital, fund principal debt payments, pay current taxes, fund net maintenance capital expenditures and pay distributions. It is calculated as Standardized Distributable Cash adjusted for capital expenditures and entity-specific items such as the seasonal impacts of working capital items. See "*Standardized Distributable Cash and Adjusted Distribution Base*" for further discussion.

Adjusted Distribution Base Payout Ratio – Calculated as Distributions divided by Adjusted Distribution Base. See “*Standardized Distributable Cash and Adjusted Distribution Base*” for further discussion.

Readers are cautioned that "Gross Margin", "Standardized Distributable Cash", "Adjusted Distribution Base and "EBITDA" 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.

BUSINESS OVERVIEW

GENERAL

Petrowest is an unincorporated, open-ended, limited purpose mutual fund trust established under the laws of Alberta and was formed for the purpose of accumulating businesses involved in pre-drilling and post-completion energy services as well as civil infrastructure projects, gravel crushing and hauling for non-energy sector customers. The Trust is based in the Grande Prairie area of northern Alberta. In the three months ended September 30, 2008 approximately 50% (2007 – 48%) of the Trust's services were related to the energy sector with the remainder of services related to non-energy sectors. For the nine month period ended September 30, 2008 approximately 52% (2007 – 51%) of services were related to the energy sector. There was a marginal increase in services the Trust provided related to the energy sector on both a three and nine month basis ended September 30, 2008 compared to the same periods in 2007. There are many factors contributing to the split between energy and non-energy sector services. For example, the increased capacity of the aggregate rock crushing and sand screening operation in the Civil segment increased the non-energy sector related services in addition to the increased Construction segment services relating to civil infrastructure services. The offset to this is increased Construction segment services in energy related activities in northeastern British Columbia and increased activity in the rig moving business. The third quarter will typically experience an increase in energy related services from the prior quarter due to increased energy related activity following spring break up.

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 related 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 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.

INDUSTRY OVERVIEW AND OUTLOOK

In the Trust's 2007 MD&A, reference was made to the continued slowdown in drilling activity, with the Canadian Association of Oilwell Drilling Contractors ("CAODC") forecasting a 28% decrease in wells to be drilled in the western Canadian sedimentary basin ("WCSB") in 2008 from the 2007 level. In addition, CAODC forecast lower utilization rates of drilling rigs at 34% for the year compared to 38% in 2007. With approximately 52% of the Trust's services relating to the energy sector for the first nine months of 2008, the activity levels in the sector do have a significant effect on the Trust and its financial results.

During the three months ended September 30, 2008, there were 4,683 wells completed in western Canada compared to 4,128 in the comparable period in 2007, which represented an increase of 13%. For the nine month period ended September 30, 2008 there were 12,817 wells completed in western Canada compared to 13,950 in the comparable period of 2007, which represents a decrease of 8%. This decrease was significantly more favorable than the average annual forecasted decrease of 28%. Rig utilization for the nine months ended September 30, 2008 was 46% which is up 4% from the utilization in the comparable period of 2007. British Columbia, Saskatchewan and Manitoba all experienced increased utilization while Alberta was essentially in line with the comparable period in 2007.

On April 23, 2008 the Petroleum Services Association of Canada ("PSAC") revised its forecast for 2008 to 16,500 wells to be drilled in Canada, up from the previous forecast of 14,500 wells, which is still below 2007 actual levels. This revised PSAC forecast was reconfirmed in the third quarter update released on July 25, 2008. On April 10, 2008 the Alberta Government introduced two new royalty programs to encourage the development of deep drilling for oil and gas, which provided some clarity on the royalty rates which will be applicable in 2009. All of these announcements have contributed to stability and increased drilling activity and the improvement of the economics and resultant activity of deep drilling for the first nine months of 2008.

On October 28, 2008 CAODC issued a revised drilling and well completion forecast to reflect the current energy sector environment. The average number of days to drill a well is forecast to increase due to the more technical and time consuming unconventional projects currently being developed. This has resulted in a reduction in the well completion forecast for 2008 to 15,223 which is a 20% decrease from the 19,144 wells drilled in 2007. This revised forecast is 8% greater than the 28% reduction initially forecast for 2008.

Looking ahead to the fourth quarter of 2008 and into 2009, the current global financial crisis has created a high degree of uncertainty. This has reduced liquidity in financial markets, restricted access to both debt and equity financing and caused significant volatility in commodity prices. Both oil and natural gas prices in October 2008 were at their lowest levels in more than a year, as slowing energy demand due to the deteriorating economic outlooks takes its toll. These liquidity and capital constraints are expected to cause many producers of oil and natural gas to demonstrate renewed focus on balance sheet discipline and to work within their existing financing and cash flow means, which may reduce demand for certain of the Trust's services. A prolonged economic slowdown could result in reduced energy consumption and demand, putting further downward pressure on oil and gas prices which may result in lower spending by oil and gas producers for marginal oil and natural gas projects.

The Trust continues to focus on diversification into industrial and civil infrastructure activities. The oil and natural gas drilling sector will continue to impact the Trust's operations and financial results and will remain an important part of the Trust's operations going forward. However, infrastructure project demand is expected to be strong over the next couple of years with more of the Trust's activities and resources anticipated to be focused and deployed in this area during the summer construction season. The amount of the Trust's services relating to the oil and gas sector will fluctuate as the activity in this sector changes in addition to the amount of non-oil and gas related projects which the Trust is successful in securing. The Trust continued to pursue geographic diversification with redeployment of equipment and skilled personnel to capitalize on demand in nearby regions plus improving utilization rates and financial results.

FINANCIAL INFORMATION

Financial Results

(thousands of dollars, except per unit amounts, margins and ratios)	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Revenue by segment:				
Construction	24,915	21,402	58,558	38,578
Transportation	11,018	11,014	35,644	27,889
Civil	21,184	16,316	54,983	37,972
Rentals	1,684	2,124	3,784	6,414
Corporate	4	-	4	-
Revenue	58,805	50,856	152,973	110,853
Operating expenses	45,270	37,571	123,153	87,386
Gross margin ⁽¹⁾	13,535	13,285	29,820	23,467
Gross margin percentage ⁽¹⁾	23%	26%	19%	21%
General and administrative	2,534	379	6,286	3,708
EBITDA ⁽¹⁾	11,001	12,906	23,534	19,759
EBITDA margin percentage ⁽¹⁾	19%	25%	15%	18%
Amortization	8,195	11,669	24,852	28,118
Interest, net	1,619	1,534	5,065	3,030
Other income	-	-	(10)	-
Loss on disposal of property and equipment	32	299	2,252	534
Impairment of intangible asset	-	-	1,874	-
Net earnings (loss) and comprehensive income (loss) for the period before income taxes	1,155	(596)	(10,499)	(11,923)
Future income tax expense (recovery)	(1,621)	(467)	(2,437)	11,502
Net earnings (loss) and comprehensive income (loss)	2,776	(129)	(8,062)	(23,425)
Net earnings (loss) per unit – basic and diluted	0.08	(0.00)	(0.24)	(0.77)
Total assets	238,019	374,334		
Total liabilities	124,313	136,161		
Unitholders' equity	113,706	238,173		

⁽¹⁾ See "Non-GAAP Measures"

Financial Resources and Liquidity

(thousands of dollars, except per unit amounts, margins and ratios)	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Cash provided from operating activities	(2,601)	1,883	(2,307)	1,772
Standardized distributable cash (shortfall) ⁽¹⁾	N/A ⁽²⁾	N/A ⁽²⁾	(10,069)	(9,191)
Adjusted distribution base ⁽¹⁾	N/A ⁽²⁾	N/A ⁽²⁾	16,106	16,443
Adjusted distribution base payout ratio ⁽¹⁾				
Units outstanding	32,926,308	33,066,986	32,926,308	33,066,986
Weighted average units outstanding – basic	33,171,308	32,902,498	33,238,104	30,528,083
Distributions declared	-	5,661	-	23,508

⁽¹⁾ See "Non-GAAP Measures"

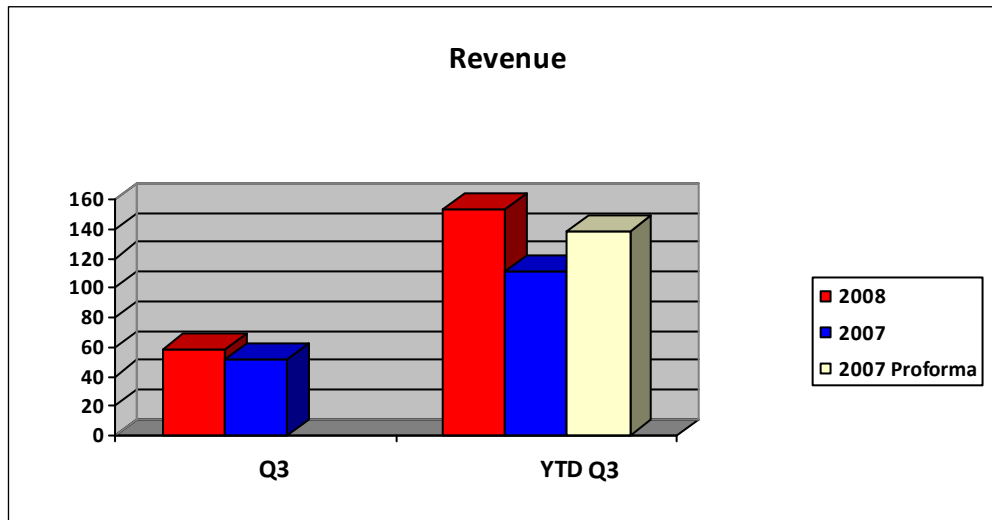
⁽²⁾ Not calculated for the three-month period

RESULTS SUMMARY

COMPARATIVE PERIODS

The financial results include the operations of the 2007 Acquired Companies (see – "Acquisitions") for the current periods for the three and nine months ended September 30, 2008. The comparative periods in 2007 contain the financial results of the 2007 Acquired Companies for the 136 day period from May 18, 2007 to September 30, 2007. References to "proforma" are on the basis as if the acquisitions had been acquired on January 1 of the respective year in which they were acquired. The proforma information has been supplied as supplemental information to the unaudited interim consolidated financial statements for the nine month periods ended September 30, 2008 and 2007 and was prepared by management of the 2007 Acquired Companies.

REVENUE



Consolidated revenue for the three months ended September 30, 2008 was \$58.8 million, a 16% increase over revenue of \$50.9 million in the comparable period of 2007. Consolidated revenue for the nine months ended September 30, 2008 was \$153.0 million, an increase of 38% over revenue of \$110.9 million in the comparable period of 2007. Consolidated revenue increased 10% compared to proforma revenue for the nine months ended September 30, 2007 of \$138.6 million.

The activity levels in the third quarter of 2008 in the oilfield service sector in western Canada were higher than the comparable period of 2007 but lower than 2006 as a result of fewer well completions. In the third quarter, the improved price of natural gas, mitigated to a degree by increasing cost pressures, have improved the economics relating to drilling for natural gas and resulted in more wells drilled compared to 2007.

The Trust's objective of diversifying from the oil and natural gas sector remains an important strategic objective, with approximately 52% (2007 – 51%) of consolidated revenue in the first nine months of 2008 relating to this sector. During the third quarter the Trust continued to pursue industrial and civil infrastructure projects with the oil and gas sector continuing as an important ongoing component of the Trust.

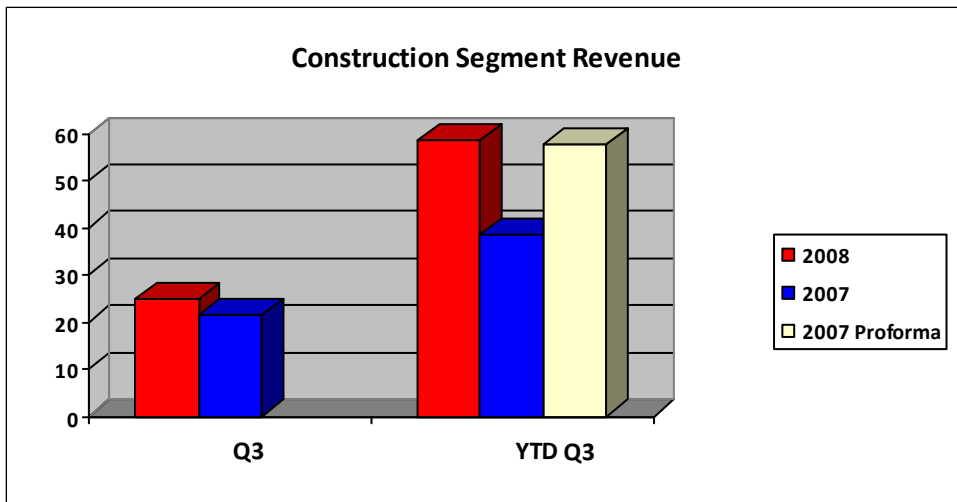
There was not a significant shift in the revenue contribution percentages by the four business segments during the third quarter of 2008 compared to the third quarter of 2007, with a 4% revenue contribution increase in the Civil segment offset by a 3% decrease in the Transportation segment and 1% decrease in the Rentals segment. For the third quarter of 2008 the revenue contribution percentage for each business segment was Construction 42%, Transportation 19%, Civil 36% and Rentals 3%. The revenue contribution percentage for each business segment for the third quarter of 2007 was Construction 42%, Transportation 22%, Civil 32% and Rentals 4%.

For the nine months ended September 30, 2008, compared to the same period in 2007, the largest contribution change was the Construction segment which had an increase of 3% and the Rentals segment which had a decrease of 3% on a percentage of revenue basis. The revenue contribution percentages for each business segment for the nine months ended September 30, 2008 were Construction 38%, Transportation 23%, Civil 36% and Rentals 3%. The revenue contribution percentages for each business segment for the nine months ended September 30, 2007 were Construction 35%, Transportation 25%, Civil 34% and Rentals 6%.

There are various operating synergies amongst the four operating segments which have a positive financial impact on the Trust. These inter segment sales relate to the market value of activity between certain segments of the Trust, including the Transportation segment which hauls equipment on behalf of the Construction and Civil segments. In addition the Rentals segment supplies equipment to the Civil and Construction segments plus cross utilization of manpower and equipment. During the three months ended September 30, 2008 there were \$4.7 million of inter segment sales compared to \$4.2 million for the three months ended September 30, 2007. For the nine months ended September 30, 2008 inter segment sales were \$10.5 million compared to \$8.2 million in the same period of 2007. Applying an EBITDA margin

percentage of 19% to the third quarter 2008 inter segment sales and 15% to the nine month period ended September 30, 2008, there would be approximately \$0.9 million and \$1.6 million respectively of additional earnings retained in the Trust which would have been paid out to third party contractors in the absence of these synergies.

Construction Segment

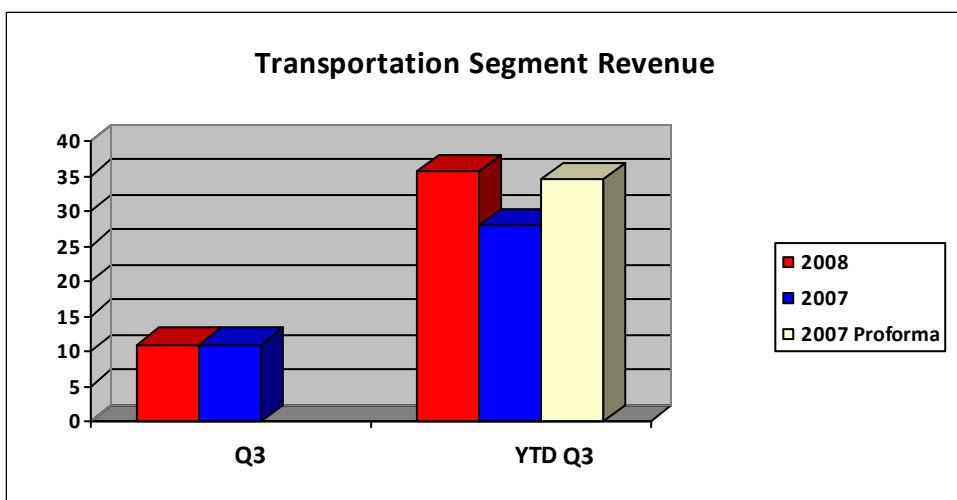


Construction segment revenue for the three months ended September 30, 2008 was \$24.9 million (2007 - \$21.4 million) comprising 42% of the Trust’s total consolidated revenue and representing an increase of \$3.5 million over the comparable period in the prior year.

The construction segment experienced revenue growth primarily as a result of increased services provided in northeastern British Columbia where the Montney and Horn River shale gas plays are located, in addition to focusing more on non-energy sector related civil infrastructure projects. This net increase was partially offset by reduced energy sector activity in northwestern Alberta relating to the Woodland Cree First Nations (see – Impairment of Intangible Asset).

Construction segment revenue for the nine months ended September 30, 2008 was \$58.6 million (2007 - \$38.6 million) representing an increase of \$20.0 million over the comparable period of 2007. Construction segment revenue increased \$0.9 million compared to proforma revenue for the comparable period in 2007 of \$57.7 million as a result of an increase in activity in Q3 2008 partially offset by the decreased activity in the first 6 months of the year related to the oil and gas sector.

Transportation Segment

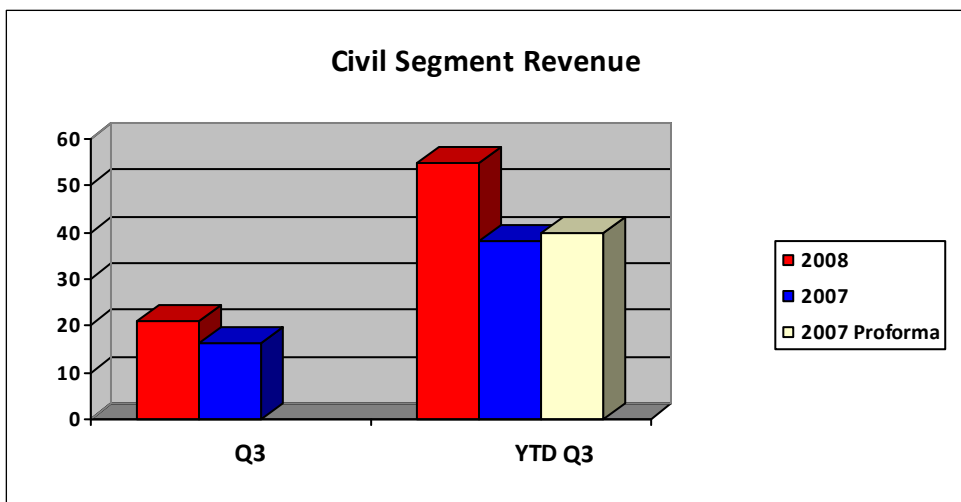


Transportation segment revenue for the three months ended September 30, 2008 was \$11.0 million (2007 - \$11.0 million) comprising 19% of the Trust's total consolidated revenue.

The Transportation segment 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 a significant business operation of the Trust. With drilling activity in the third quarter up 13% over the comparable quarter in 2007, the affect on drilling rig mobilization and demobilization services was a significant increase compared to the same quarter in 2007. Certain portions of the log and gravel loading and hauling operations experienced decreased revenue growth in 2008 compared to 2007, which offset the increase in the rig mobilization and demobilization component of the business. This resulted in an increase to the Transportation segment's business related to the energy sector from 45% in 2007 to 57% in 2008.

Transportation segment revenue for the nine months ended September 30, 2008 was \$35.6 million (2007 - \$27.9 million) representing an increase of \$7.7 million over the comparable period of 2007. Transportation segment revenue increased \$1.0 million compared to proforma revenue for the comparable period in 2007 of \$34.6 million as a result of an increase in the rig moving business partially offset by a decrease in the log hauling and gravel hauling business.

Civil Segment

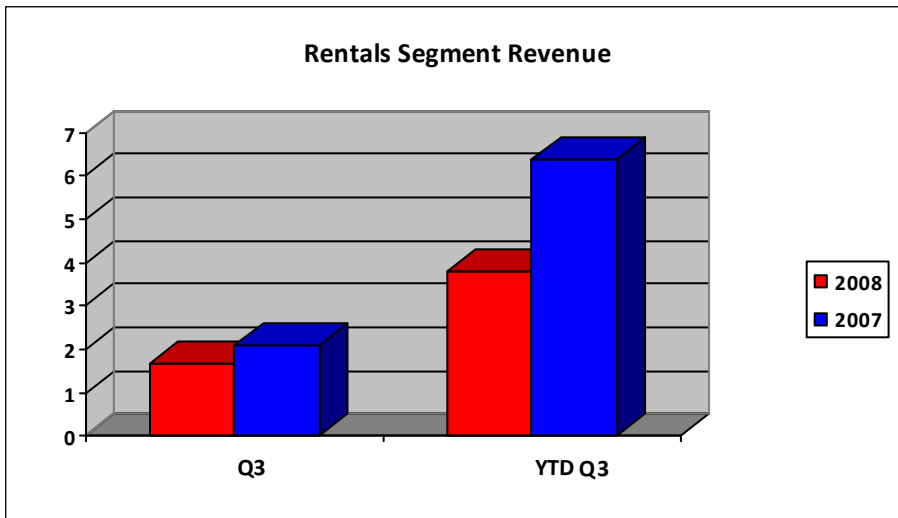


Civil segment revenue for the three months ended September 30, 2008 was \$21.2 million (2007 - \$16.3 million) comprising 36% of the Trust's total consolidated revenue and representing an increase of \$4.9 million over the prior year. The primary factors contributing to this increase in revenue were the increased capacity resulting from the additional crushing spreads acquired during 2007 being fully operational in 2008 in addition to increasing the capacity at one spread to a dual cone plant from a single cone plant.

The Civil segment has two main components with the largest component of this segment being gravel crushing. The gravel crushing operations have contracts booked at or near capacity to the end of 2008. 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 tied to drilling activity and consequently this business operation is directly affected by oil and natural gas drilling activities. Revenue has increased for both of these components of the Civil segment.

Civil segment revenue for the nine months ended September 30, 2008 was \$55.0 million (2007 - \$38.0 million) representing an increase of \$17.0 million over the comparable period of 2007. Civil segment revenue increased \$15.1 million compared to proforma revenue for the comparable period in 2007 of \$39.9 million as a result of increased capacity and activity in 2008.

Rentals Segment

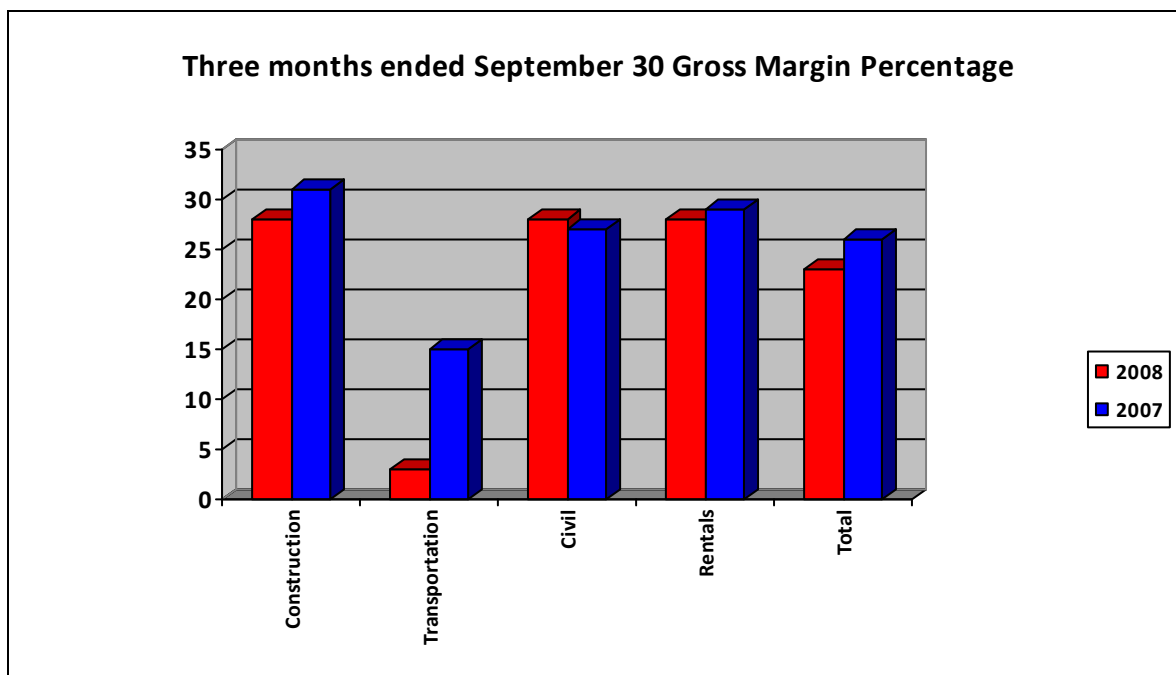


Rentals segment revenue for the three months ended September 30, 2008 was \$1.7 million (2007 - \$2.1 million) comprising 3% of the Trust's total consolidated revenue and representing a decrease of \$0.4 million over the comparable period in the prior year.

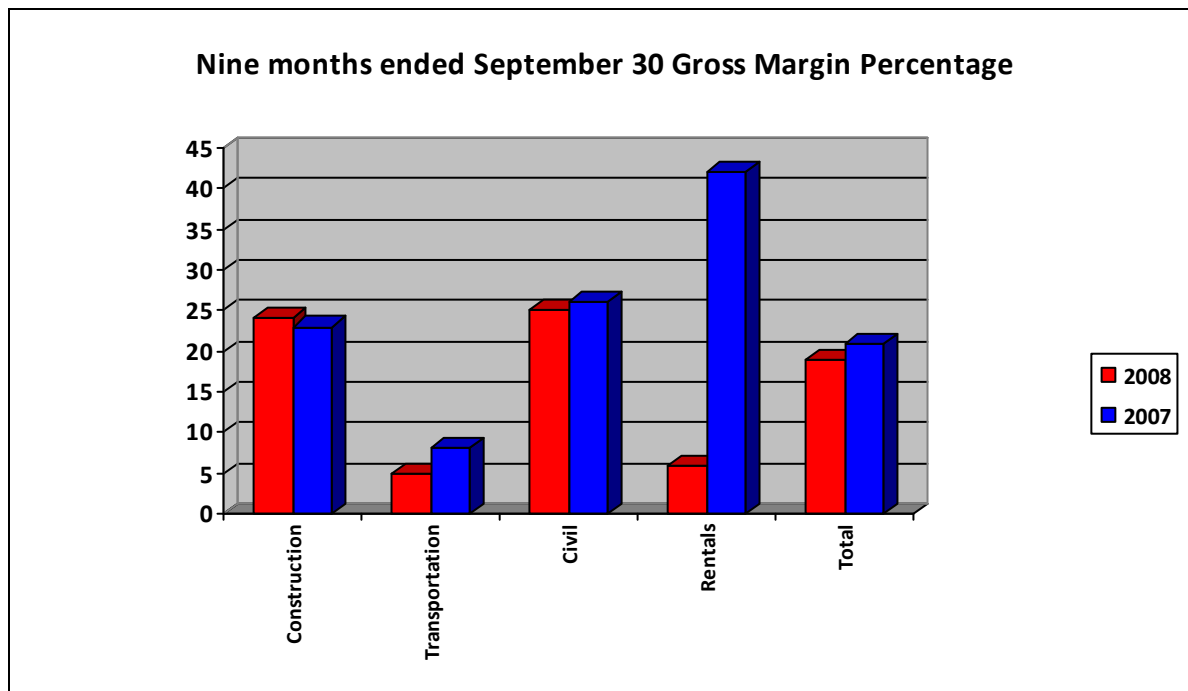
There are numerous factors contributing to the financial results of the Rentals segment. There was a reduction in demand for certain equipment deployed in the Fort McMurray area related to a significant customer which resulted in unutilized equipment. Management is reviewing alternative uses of this equipment to maximize revenue going forward. The Trust redeployed this equipment to other segments which required the equipment. This redeployment was to different entities and was geographically diverse. Inter-segment revenue is eliminated on consolidation.

Rentals segment revenue for the nine months ended September 30, 2008 was \$3.8 million (2007 - \$6.4 million) representing a decrease of \$2.6 million over the comparable period of 2007.

OPERATING EXPENSES AND GROSS MARGIN



(thousands, except percentages)	Operating expenses for the three months ended September 30, 2008	Operating expenses as a % of revenue	Gross Margin Percentage	Operating expenses for the three months ended September 30, 2007	Operating expenses as a % of revenue	Gross Margin Percentage
Construction segment	17,974	72%	28%	14,820	69%	31%
Transportation segment	10,742	97%	3%	9,344	85%	15%
Civil segment	15,344	72%	28%	11,901	73%	27%
Rentals segment	1,210	72%	28%	1,506	71%	29%
	45,270	77%	23%	37,571	74%	26%



	Operating expenses for the nine months ended September 30, 2008	Operating expenses as a % of revenue	Gross Margin Percentage	Operating expenses for the nine months ended September 30, 2007	Operating expenses as a % of revenue	Gross Margin Percentage
Construction segment	44,379	76%	24%	29,605	77%	23%
Transportation segment	33,871	95%	5%	25,873	92%	8%
Civil segment	41,362	75%	25%	28,184	74%	26%
Rentals segment	3,541	94%	6%	3,724	58%	42%
	123,153	81%	19%	87,386	79%	21%

Consolidated operating expenses for the three months ended September 30, 2008 were \$45.3 million (2007 - \$37.6 million) with Gross Margin of 23% and 26% in the third quarters of 2008 and 2007 respectively. The major costs incurred for equipment owned by the Trust are labour, fuel, equipment leases and repairs and maintenance. The other significant operating expense relates to the payments to subcontractors.

Margins continue to be under pressure as a result of increasing costs associated with the operation of the Trust's equipment, lower activity levels in the oil and gas industry, resulting in pricing pressures and lower utilization of equipment. One of the most significant major cost increases has been fuel which has increased approximately 4.5% as a percentage of revenue in the three months ended September 30, 2008 compared to the same period of 2007. The amount of this increase which is not passed on to customers directly affects the Gross Margin Percentage. The Trust has reviewed its contracts and customers to determine what costs could be ultimately passed on to customers such as through contractual fuel surcharges, and will incorporate as the industry conditions improve. Recent commodity price decreases should help reduce fuel costs in the upcoming quarters.

The Construction segment Gross Margin decreased 3% for the three months ended September 30, 2008 over the comparable period in 2007. The decreased margin was largely due to a change in revenue mix, as the Trust was more active in the third quarter 2008 with bid job contract revenue and infrastructure projects which result in lower margins than the higher margin equipment hourly rental revenue related to the oil and gas sector. The Construction segment Gross Margin increased 1% in the nine month period ended September 30, 2008 compared to the nine month period ended September 30, 2007.

The Transportation segment Gross Margin decreased 12% for the three months ended September 30, 2008 over the comparable period in 2007. The decrease in margin is directly related to a shift in revenue mix and to increased costs which cannot be passed on to the customers such as fuel costs, labour costs, and repair and maintenance costs due to the equipments travelling more kilometers to the job sites due to our geographic diversification. The Transportation segment Gross Margin decreased 3% in the nine month period ended September 30, 2008 compared to the nine month period ended September 30, 2007.

The Civil segment Gross Margin for the third quarter of 2008 increased 1% over the comparable period of 2007. The increase in margin is due largely to a reduction in the level of work being outsourced as a result of increased capacity in 2008, partially offset by higher fuel costs. The Civil segment Gross Margin decreased 1% in the nine month period ended September 30, 2008 compared to the nine month period ended September 30, 2007.

The Rentals segment Gross Margin for the third quarter of 2008 decreased 1% over the comparable period in 2007. The Rentals segment Gross Margin decreased 36% in the nine month period ended September 30, 2008 compared to the nine month period ended September 30, 2007 as a result of a decrease in revenue, as certain operating costs are fixed and any change in revenue will have a significant impact on Gross Margin.

On a consolidated basis the Gross Margin for the nine months ended September 30, 2008 and 2007 were 19% and 21%. This is a result of general overall lower activity levels in the energy sector, pricing pressures and increased costs not passed on to customers.

GENERAL AND ADMINISTRATIVE

On a percentage of revenue basis, general and administrative costs were approximately 4.3% of revenue in the third quarter of 2008 compared to 0.7% in the third quarter of 2007.

There were certain non-recurring costs and professional fees representing approximately 1% of revenue incurred during the quarter which are not expected to continue on a regular basis. General and administrative costs for the third quarter 2007 are low due to the benefit of the unit based compensation reversal related to the Trust's cancelled unit option plan in July 27, 2007 which represented approximately 2% of revenue. For the nine months ended September 30, 2008 and 2007 the general and administrative costs were 4.1% and 3.3% respectively.

Effective April 15, 2008 the Trust adopted a Deferred Trust Unit ("DTU") plan. Under this DTU plan, DTU's are granted to employees, directors and consultants which entitles participants, at the Trust's option, to either receive a trust unit or cash equivalent in exchange for a vested unit. The Trust granted 908,000 DTU's, which vest one third per year over the three year period from the date of grant. Unit based compensation expense related to the units granted is recognized over the vesting period, on a graded basis, based on the fair value of the units at the date of the grant and is recorded to unit based compensation expense and contributed surplus. The contributed surplus balance will be reduced as vested units are settled. The fair value of the DTU's granted in 2008 was \$1.1 million with \$170,601 recorded as unit based compensation expense, included in general and administrative expense and operating expenses, for the three month period ended September 30, 2008 and \$313,497 for the nine month period ended September 30, 2008.

AMORTIZATION

Amortization of property and equipment for the three months ended September 30, 2008 was \$7.1 million (2007 - \$8.6 million). 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. During the second quarter of 2008 there was a sale at auction of certain property and equipment which resulted in the reduction of net book value relating to the property and equipment of \$4.9 million and which reduced the amortizable base of property and equipment. This equipment was either underutilized or approaching a fully houred basis. Amortization of property and equipment for the nine months ended September 30, 2008 was \$21.3 million compared to \$20.4 million in the comparable period of 2007, which is a result of acquisitions related primarily to the 2007 Acquired Companies.

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 tested for impairment when events or changes in circumstances indicate the carrying amount of the intangible asset is not recoverable and exceeds its fair value. An impairment charge of \$35.7 million was recorded in the fourth quarter of 2007 which reduced the carrying value of intangible assets, reducing the base for amortization commencing in the first quarter of 2008. Amortization (including impairment) of intangibles for the three month and nine month periods ended September 30, 2008 was \$1.1 million (2007 - \$3.0 million) and \$3.6 million (2007 - \$7.7 million) respectively. During the second quarter of 2008, management determined that the relationship with the Woodland Cree First Nations had changed to the degree where the intangible asset related to this business alliance was determined to have no remaining value. The Trust recorded an impairment of this intangible asset of \$1.9 million which equaled the remaining unamortized balance. This impairment reduced the base for amortization of intangible assets commencing in the third quarter of 2008.

INTEREST

Interest expense for the three months ended September 30, 2008 was \$1.6 million (2007 - \$1.6 million). Interest expense for the nine months ended September 30, 2008 was \$5.1 million compared to \$3.2 million in the comparable period of 2007. The primary reason for this increase was due to an increased borrowing rate, increased borrowings incurred to finance the acquisitions in 2007 and to fund working capital requirements.

INCOME TAXES

The Trust is a taxable entity under the Income Tax Act of Canada and is taxable on income which is not distributed or distributable to the unitholders.

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.

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 provision for future income tax in the third quarter of 2008 was a recovery of \$1.6 million.

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 interests of the unitholders.

NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS)

Net earnings (loss) and comprehensive income (loss) for the three months ended September 30, 2008 was \$2.8 million compared to net earnings (loss) and comprehensive income (loss) for the third quarter of 2007 of \$(0.1) million. This represents net earnings (loss) per unit of \$0.08 and nil respectively, basic and fully diluted.

Net loss and comprehensive loss for the nine months ended September 30, 2008 was \$(8.1) million compared to net loss and comprehensive loss for the comparable period of 2007 of \$(23.4) million. This represents a net loss per unit of (\$0.24) and (\$0.77) respectively, basic and fully diluted.

ACQUISITIONS

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 "2007 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 had achieved a 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 (see Impairment of Intangible asset).

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. expanded 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. provided additional capacity to Petrowest's crushing operations conducted by R. Bee Crushing.

The estimated purchase price including acquisition costs of the 2007 Acquired Companies was \$93.3 million. See note 6(a) to the September 30, 2008 unaudited interim consolidated financial statements for further details.

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 and paid the remaining \$0.6 million when certain post closing conditions were met (see "Amortization").

CAPITAL RESOURCES AND LIQUIDITY

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. This MD&A is in all material respect in accordance with the recommendations contained in the interpretive release. The interpretive release defines standardized distributable cash as cash flow from operating activities less total capital expenditures as defined by GAAP and any restrictions on distributions arising from compliance with financial covenants.

Standardized Distributable Cash is intended to provide a standard measure of cash available for distribution to unitholders which would be comparable between income trusts and consistent over time. Long term distribution capacity is dependent on the generation of positive cash flows from operations in excess of both maintenance and growth capital requirements. Long term negative Standardized Distributable Cash would suggest that an entity would not have sustainable cash available to maintain distributions. The Trust currently has surplus equipment and operational capacity which is available for generation of future cash flow from operations. Management believes that a return to higher capacity utilization is required in order to generate positive Standardized Distributable Cash flow to support future capital needs and for distributions to be reinstated.

The interpretive release also provides guidance on the calculation of an adjusted distribution base which is Standardized Distributable Cash adjusted for entity-specific adjustments.

Standardized Distributable Cash

(thousands, except per unit amounts and ratios)	For the nine months ended September 30, 2008	September 30, 2007	Cumulative from inception of Trust July 6, 2006
Cash provided from (used in) operating activities	(2,307)	1,772	27,334
Less adjustments for:			
Capital expenditures, net	7,762	10,963	37,761
Restrictive bank covenants			
Standardized distributable cash (shortfall)	(10,069)	(9,191)	(10,427)
Distributions declared	-	23,508	37,964
Standardized distributable cash payout ratio	N/A	N/A	N/A
Standardized distributable cash (shortfall) per unit – basic	(0.30)	(0.30)	(0.31)
Standardized distributable cash (shortfall) per unit - diluted	(0.29)	(0.30)	(0.31)

The starting point for the calculation of Standardized Distributable Cash is “cash provided from (used in) operations” measured in accordance with GAAP. This starting point takes changes in non-cash working capital balances into account. The Standardized Distributable Cash Payout Ratio is not applicable for the nine months ended September 30, 2008, as there were no distributions declared during the quarter. The negative Standardized Distributable Cash shortfall was primarily due to the non-cash working capital balances which are incorporated in the calculation. The positive non-cash working capital balance should typically decrease as the Trust moves into the third quarter and the receivable balance which has increased during the first half of the year is received. Over the long term the excess of operational capacity must be utilized to generate more cash flow.

Adjusted Distribution Base

(thousands, except per unit amounts and ratios)	For the nine months ended September 30, 2008	September 30, 2007	Cumulative from inception of Trust July 6, 2006
Standardized distributable cash (shortfall)	(10,069)	(9,191)	(10,427)
Adjusted for:			
Growth capital expenditures	5,057	10,963	35,056
Changes in accounts receivable	14,090	8,336	8,465
Changes in prepaid expenses	(514)	(1,971)	(1,732)
Changes in inventory	(342)	579	826
Changes in accounts payable and accrued liabilities	7,884	7,727	16,792
Adjusted Distribution Base	16,106	16,443	48,980
Distributions declared	-	23,508	37,964
Surplus (deficit) of adjusted distribution base over distributions	16,106	(7,065)	11,016
Adjusted distribution payout ratio	N/A	1.43	0.78
Adjusted distribution base per unit – basic	0.48	0.54	1.47
Adjusted distribution base per unit - diluted	0.47	0.54	1.43

This measure takes Standardized Distributable Cash and adjusts for entity specific items such as seasonal working capital fluctuations. It is also measured before capital expenditures. This measure is intended to indicate the Trust's ability to fund working capital, principal debt payments, current taxes, capital expenditures (growth and maintenance) and distributions.

Since inception of the Trust there has been a surplus of \$11.0 million resulting from the excess of the Adjusted Distribution Base over distributions declared. This surplus is an improvement of \$16.1 million over the deficit of \$5.1 million at the year ended December 31, 2007 and can be attributable to both relatively improved financial results for the first nine months of 2008 and having no distributions declared during 2008. Management is of the view that this surplus will improve as the oil and gas industry improves and as the growth capital expenditure program is scaled down from the capacity growth the first 25 months of operations experienced.

Management views the Adjusted Distribution Base as the most appropriate measure of ongoing sustainability and liquidity. This measure most closely represents the entity specific conditions of the Trust and management's objectives and beliefs regarding future sustainability of distributions, which are currently suspended.

During the first quarter of 2008, distributions were suspended in order to protect the Trust's balance sheet and position it to fund accretive opportunities going forward. The Board of Directors of Petrowest Energy Services General Partner Ltd. has the discretion, subject to any contractual restrictions, to reinstate distributions. This will depend on the current and anticipated level of activity in the Trust as well as the operational performance of the various partnerships. Pursuant to the amended credit facility (see "*Long Term Debt*") the Trust is prohibited from reinstating distributions until a financial covenant is achieved.

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 the first and fourth quarters, and to a lesser extent in the third quarter. Typically in these quarters operations would increase receivable balances at a rate in excess of collections. In the second quarter, the impact of spring breakup will typically start to reverse this trend. To reduce the impact on cash, the Trust has secured a revolving term loan in part to finance the cyclical nature of its operations. This loan facility is utilized to fund distributions and working capital during these periods when working capital requirements exceed cash 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 and expenditures to maintain the equipment's current operating capacity and maintain its future cash flow from operations at a constant level. 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 2009 with minimal maintenance capital expenditures.

Since the inception of the Trust in 2006, the majority of capital expenditures have been growth related through the civil segment increasing capacity and through acquisitions. During the first nine months of 2008 total net capital expenditures were \$7.8 million, with approximately \$5.1 million of growth capital expenditures and \$2.7 million of net maintenance capital expenditures. It is anticipated that maintenance capital expenditures will increase as a percentage of total capital expenditures as the energy sector returns to higher activity levels and older equipment is replaced. During the third quarter of 2008, the net maintenance capital expenditures increased 12% as a percentage of total net capital expenditures.

Growth capital expenditures are typically funded by combinations of cash provided from operations, 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. In addition, the acquisitions on May 18, 2007 of the 2007 Acquired Companies added an additional \$42 million in capital assets to the Trust. These acquisitions have also expanded the geographical footprint of the Trust and opened new markets for the Trust's services. The cost of the 2007 Acquired Companies was financed by debt and the issue of Units of the Trust.

Net property and equipment asset acquisitions incurred for the three months ended September 30, 2008 were approximately \$2.6 million. The Trust's definition of Adjusted Distribution Base is a measure of available cash prior to funding net maintenance capital expenditures.

WORKING CAPITAL

(thousands of dollars)	As at September 30, 2008	As at December 31, 2007
Cash (overdraft)	(6,345)	215
Accounts receivable	58,371	44,281
Prepaid expenses and other	1,392	1,906
Inventory	5,458	5,800
Accounts payable and accrued liabilities	(20,891)	(28,775)
Distributions payable	-	(953)
Current portion of revolving bank term loan	(21,750)	-
Current portion of obligations under capital leases	(675)	(489)
Working capital	15,560	21,985

Working capital at September 30, 2008 was \$6.4 million less than working capital at December 31, 2007. The major changes during the nine month period ended September 30, 2008 were an increase in bank overdraft of \$6.6 million, an increase in accounts receivable of \$14.1 million, a decrease in accounts payable and accrued liabilities of \$7.9 million and \$21.8 million of the revolving bank term loan classified as current. The amount of revolving bank term loan classified as current is equal to 3/12 of the current balance outstanding of \$87.0 million as detailed in the following section of this MD&A.

If working capital is adjusted for the cash (overdraft) and the revolving bank term loan classified as current then it increased by \$21.7 million since December 31, 2007. Effectively, this is the increase in accounts receivable, net of the change in accounts payable and accrued liabilities. Compare to the period ended June 30, 2008, the working capital (adjusted per above) increased by \$12.1 million.

LONG TERM DEBT

Long term debt is comprised of the revolving bank term loan and obligations under capital leases. On March 31, 2008, the Trust amended its credit facility to amend two financial covenants and reduce the credit facility from \$120.0 million to \$100.0 million. The funded debt to four quarter's trailing proforma EBITDA ratio was increased to 3.25 to 1 for the period ended March 31, 2008 and the periods ending June 30, 2008 and September 30, 2008. This ratio is reduced to 2.75 to 1 for the period ending December 31, 2008 and 2.50 to 1 for the periods ending March 31, 2009 and thereafter. The funded debt to capitalization covenant was increased to 0.55 to 1 from 0.50 to 1. The Trust is also prohibited from reinstating distributions to unitholders until the funded debt to four quarter's trailing proforma EBITDA is less than 2.50 to 1, calculated both before and after the payment of the distribution. The credit facility bears interest at floating rates based on the bank prime rate plus a spread of up to 2%, depending on the current level of indebtedness.

The credit facility had a one year revolving term due on November 6, 2008 which could be extended for an additional 364 days at the discretion of the lender on application by the Trust. If the credit facility is not renewed or extended, principal is then repayable by way of seven equal quarterly payments in an amount equal to one-twelfth of the balance outstanding at the end of the term, with the remaining balance due on November 8, 2010. On November 6, 2008 the Trust obtained an extension of the \$100.0 million credit facility to December 15, 2008. This extension, which was approved by every member of the banking syndicate, is intended to provide the Trust with sufficient time to renegotiate amendments to the credit facility. It is anticipated that the new terms of the credit facility will incorporate increased pricing in addition to certain repayments of the credit facility. This deleveraging requirement is consistent with the Trust's objective of reducing overall long term debt over time consistent with the ongoing business plan.

As at September 30, 2008, the Trust had drawn \$87.0 million on its credit facility of which approximately \$64.3 million was utilized to meet the cash requirements of the acquisition of the 2007 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:

- Current ratio, excluding the revolving bank term loan, of greater than 1.35 to 1. The Trust's ratio at September 30, 2008 is 2.34 to 1.
- Funded debt to four quarter's trailing proforma EBITDA ratio of not greater than 3.25 to 1. The Trust's ratio at September 30 is 3.14 to 1. Commencing in the fourth quarter of 2008, the ratio will decrease to 2.75 to 1.
- Fixed charge coverage of not less than 1 to 1. The Trust's ratio at September 30, 2008 is 2.44 to 1.
- Funded debt to capitalization of not more than 0.55 to 1. The Trust's ratio at September 30, 2008 is 0.46 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 immediately repay the revolving bank term loan. The Trust is compliant with all financial covenants at September 30, 2008.

The current debt levels were incurred to fund the cash portion on the acquisition of the 2007 Acquired Companies and is viewed as a level which needs to be reduced over time. It is anticipated that cash flows from operations will allow the partial repayment of debt in an orderly manner over the medium term, depending on industry activity levels.

CONTRACTUAL OBLIGATIONS

(thousands of dollars)	As at September 30, 2008				
	< 1 year	1 – 3 Years	4 – 6 Years	Thereafter	Total
Revolving bank term loan	21,750	65,250	-	-	87,000
Obligations under capital leases	675	873	112	-	1,660
Operating leases on equipment	13,197	9,440	557	-	23,194
Operating leases on offices, shop and yards	2,702	4,778	4,004	2,152	13,636
TOTAL	38,324	80,341	4,673	2,152	125,490

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 view that lease commitments can be met from cash flows from operations.

UNITHOLDERS' EQUITY

Authorized

The Trust is authorized to issue an unlimited number of Trust units. Holders of Trust units are entitled to receive monthly distributions to the extent declared by the Trust's Board of Trustees in priority to any distribution payments on the subordinated units. On November 12, 2008 there were 32,926,308 units outstanding.

	As at September 30, 2008		As at December 31, 2007	
	Units	Amount	Units	Amount
Balance, beginning of period	31,756,308	291,144	26,765,094	255,769
Acquired units in purchase of 2007 Acquired Companies	-	(56)	-	-
Units issued on acquisitions (note 6)	-	-	4,351,622	32,316
Issued for services rendered	10,000	19	10,000	72
Units issued under distribution reinvestment plan	-	-	629,592	2,987
	31,766,308	291,107	31,756,308	291,144
Subordinated units, beginning of period	1,510,000	1,735	1,510,000	1,510
Redemption of subordinated units issued for cash	(350,000)	(350)	-	-
Subordinated units issued for promissory notes	-	-	-	3,020
Redemption of subordinated units issued for promissory notes	-	(700)	-	-
Promissory note repayment	-	700	-	-
Less amount issued for promissory notes (net of repayment)	-	-	-	(2,795)
	1,160,000	1,385	1,510,000	1,735
Balance, end of period	32,926,308	292,492	33,266,308	292,879
Weighted average units for period – basic	33,238,104		31,202,043	
Weighted average units for period – diluted	34,146,104		31,202,043	

Prior to the initial public offering, 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, which was 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 Trust 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 \$47.0 million and paid distributions of at least \$1.20 per Trust unit for such fiscal year. As at September 30, 2008, there was a balance of \$2,090,000 outstanding related to promissory notes, net of repayments.

On September 3, 2008, the Trust acquired 350,000 subordinated units for \$700,000 from a former officer of the Trust. The transaction has been measured in these financial statements at the carrying amount of the subordinated units with the difference between the cash paid to reacquire the units and the average carrying amount of the units credited to contributed surplus. In conjunction with this transaction the former officer repaid the note receivable balance of \$700,000, resulting in no net cash outlay to the Trust.

Units issued for the acquisition of the companies acquired in 2006 and the 2007 Acquired Companies were placed in escrow subject to time release provisions. Escrowed units are released as to 25% on the first anniversary date of the acquisition and the remaining 75% on the second anniversary date. During 2007 3,880,305 escrowed units were released with an additional 1,087,904 released in the second quarter of 2008 and 8,884,789 released in the third quarter of 2008. There are 3,263,716 to be released in 2009.

CONTRIBUTED SURPLUS

Continuity of contributed surplus:

	As at September 30, 2008	As at December 31, 2007
Balance – beginning of period	-	-
Unit based compensation expense	313	-
Value assigned to expired warrants	270	-
Redemption of subordinated units below carrying value	350	-
Balance – end of period	933	-

On June 27, 2007 the Trust issued 300,000 warrants at a strike price of \$7.47 per unit which expired May 1, 2008 as partial consideration for entering into the business alliance with WCFN (note 6 (b)). The Trust valued the warrants at \$270,000. The amount relating to the expired warrants was transferred to contributed surplus.

RELATED PARTY TRANSACTIONS

Petrowest paid rent for the three and nine month periods ended September 30, 2008 for office and shop space under leases entered into with certain former owners of businesses acquired in the amount of \$993,227 (2007 - \$574,999) and \$2,144,112 (2007 - \$1,491,323) respectively. Transactions were recorded at the exchange amount which is estimated to approximate fair market value and are included in operating expenses. The Trust has certain amounts payable and receivable as well as contingently payable and receivable owing to/from certain former owners of the 2007 Acquired Companies and the companies acquired in 2006 which relate to certain purchase and sale agreement post closing matters. These amounts owing and receivable are not considered material to the Trust in the aggregate.

For the three and nine months ended September 30, 2008, the Trust acquired 350,000 subordinated units for \$700,000 from a former officer of the Trust. The transaction has been measured in these financial statements at the carrying amount of the subordinated units. This transaction also included a \$700,000 repayment of a promissory note.

CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICIES

Critical Accounting Estimates

The unaudited interim consolidated financial statements for the three and nine months ended September 30, 2008 have been prepared in accordance with the accounting policies described in the notes to the annual audited consolidated financial statements. As a normal part of the financial statement preparation process, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited interim consolidated financial statements and the reported amounts of revenues and expenses for the period reported. Actual results could differ from these estimates. Such estimates include amortization of property and equipment, recoverability of accounts receivable, valuation of assets included in acquisitions and impairment of goodwill, intangibles and property and equipment.

Although estimates and assumptions are based on the information available at the time they are required to 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 consolidated financial statements at the time they were made.

Changes in Accounting Policies and Practices

On January 1, 2008 the Trust adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook Sections:

"Inventories", Section 3031. This new standard replaces the previous standard in Section 3030 and establishes standards for the measurement and disclosure of inventories. The adoption of this standard has had no material effect on the Trust's unaudited interim consolidated financial statements.

“Capital Disclosures”, Section 1535. This new standard requires the Trust to disclose its objectives, policies and processes for managing capital. See Note 15 to the September 30, 2008 unaudited interim consolidated financial statements.

“Financial Instruments – Presentation”, Section 3863 and “Financial Instruments – Disclosures”, Section 3862, which replaced Section 3861. See Note 14 to the September 30, 2008 unaudited interim consolidated financial statements

Recent Accounting Pronouncements

In February 2008 the AcSB confirmed that International Financial Reporting Standards (“IFRS”) will replace Canadian GAAP effective January 1, 2011. The Trust is assessing the potential impacts of this transition and developing a plan accordingly.

In February 2008 the CICA issued Section 3064, “Goodwill and Intangible Assets” which will replace Section 3062 and be effective January 1, 2009. This new standard revises the criteria for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Trust is currently assessing the impact of these new recommendations.

SUMMARY OF QUARTERLY RESULTS

	2008			Three months ended				2006 ⁽²⁾
	Sep. 30	June 30	Mar.31	Dec.31	Sept.30	June 30	Mar.31	
<i>(thousands of dollars except per unit amounts)</i>								
Revenue by segment								
Construction	24,915	9,552	24,091	20,518	21,402	7,192	9,984	11,089
Transportation	11,018	7,222	17,404	13,702	11,014	5,568	11,307	11,954
Civil	21,184	17,567	16,231	12,617	16,316	11,705	9,951	10,124
Rentals	1,684	787	1,313	988	2,124	2,669	1,621	2,662
Corporate	4	-	-	5	-	-	-	-
Total revenue	58,805	35,128	59,039	47,830	50,856	27,134	32,863	35,829
Operating expenses by segment								
Construction	17,974	9,372	17,033	14,681	14,820	7,119	7,663	7,820
Transportation	10,742	8,119	15,010	12,743	9,344	7,022	9,507	9,649
Civil	15,344	12,968	13,050	11,164	11,901	9,798	6,809	6,567
Rentals	1,210	1,235	1,096	1,273	1,506	529	1,367	1,051
Total operating expenses	45,270	31,694	46,189	39,861	37,571	24,468	25,346	25,087
Administrative expenses	2,534	1,698	2,054	1,541	379	1,638	1,691	1,291
EBITDA ⁽¹⁾	11,001	1,736	10,796	6,428	12,906	1,028	5,826	9,451
Gain (loss) on disposal of assets	32	(2,182)	(38)	(644)	(299)	11	(246)	20
Interest and other income (expense)	-	34	(24)	(53)	47	98	50	82
Net earnings before other items	10,969	(412)	10,734	5,731	12,654	1,137	5,630	9,553
Future income tax (recovery) expense	(1,621)	(934)	117	(1,461)	(467)	11,969	-	-
Amortization of property and equipment	7,072	7,134	7,069	8,576	8,626	6,620	5,131	4,682
Amortization of intangible assets	1,123	1,227	1,227	3,036	3,043	2,517	2,180	2,113
Impairment of goodwill and intangible assets	-	1,874	-	107,015	-	-	-	-
Interest	1,619	1,510	1,936	2,213	1,581	1,102	544	141
Net earnings (loss)	2,776	(11,223)	385	(113,648)	(129)	(21,071)	(2,225)	2,617
Net earnings (loss) per unit basic and diluted	\$0.08	(\$0.34)	\$0.01	(\$3.42)	(\$0.00)	(\$0.69)	(\$0.08)	\$0.09

⁽¹⁾ See “Non-GAAP Measures”

⁽²⁾ The Trust commenced operations on September 7, 2006

KEY RISKS AND UNCERTAINTIES

The Trust is exposed to market risks and other operational risks. For a detailed discussion of these risks readers should refer to the Trust’s Annual Information Form and the key risks and uncertainties section of the Trust’s 2007 annual MD&A both of which are available at www.sedar.com and on the Trust’s website at www.petro-west.com.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with GAAP. The Chief Executive Officer and Chief Financial Officer are responsible for ensuring that proper internal controls over financial reporting are adequate. There were no changes in the Trust's internal control over financial reporting during the second quarter of 2008 that have materially affected or are reasonable likely to materially affect internal controls over financial reporting.

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 interim 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, revenues from oil and gas and non-oil and gas activities, debt to EBITDA ratio and utilization. **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 to the extent events and circumstances have occurred that are reasonably likely to cause actual results to differ materially from material forward-looking information for a period that is not yet complete or as otherwise required by law.**

The information and statements contained in this interim 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 interim 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.*