

Petrowest Energy Services Trust

Consolidated Balance Sheets

(Unaudited)

(In thousands of dollars)	As at June 30, 2009	As at December 31, 2008
Assets		
Current assets		
Cash and cash equivalents	-	2,348
Accounts receivable	28,320	44,306
Prepaid expenses and other	1,444	1,083
Inventory	4,832	4,495
Assets related to discontinued operations (note 18)	666	4,549
	35,262	56,781
Property and equipment	81,780	87,636
Intangible assets (note 6)	10,319	13,402
Goodwill (note 7)	-	34,321
Future income taxes (note 12)	734	727
Assets held for sale (note 18)	-	11,880
	128,095	204,747
Liabilities		
Current liabilities		
Bank overdraft	4,792	-
Accounts payable and accrued liabilities	8,781	15,918
Revolving bank term loan (note 8)	67,950	83,500
Current portion of obligations under capital leases	600	651
Liabilities related to discontinued operations (note 18)	81	2,447
	82,204	102,516
Obligations under capital leases	606	874
Future income taxes (note 12)	9,529	12,463
	92,339	115,853
Unitholders' Equity		
Units (note 9)	292,498	292,492
Contributed surplus (note 10)	775	635
Accumulated loss	(219,554)	(166,270)
Accumulated distributions to unitholders	(37,963)	(37,963)
	35,756	88,894
	128,095	204,747

Going concern (note 2)

See accompanying notes to the consolidated financial statements

Petrowest Energy Services Trust

Consolidated Statements of Loss, Comprehensive Loss and Accumulated Loss

(Unaudited)

(In thousands of dollars, except per unit amounts)	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
Revenue	17,003	32,834	55,139	84,603
Expenses				
Operating expenses	19,065	28,604	50,562	68,601
General and administrative	1,409	1,698	3,257	3,752
Interest	1,312	1,509	2,339	3,444
Amortization of property and equipment	5,261	6,405	10,283	12,766
Amortization of intangible assets	984	1,210	1,957	2,421
Impairment of goodwill and intangible assets (notes 6 and 7)	35,446	1,874	35,446	1,874
	63,477	41,300	103,844	92,858
	(46,474)	(8,466)	(48,705)	(8,255)
Other income (loss)				
Loss on disposal of property and equipment	-	(2,097)	(19)	(2,135)
Interest and other income	-	34	2	10
Net loss and comprehensive loss before taxes	(46,474)	(10,529)	(48,722)	(10,380)
Future income tax expense (recovery) (note 12)	(6)	(934)	(2,941)	(817)
Net loss and comprehensive loss from continuing operations	(46,468)	(9,595)	(45,781)	(9,563)
Discontinued operations, net of tax (note 18)	(2,170)	(1,628)	(7,503)	(1,275)
Net loss and comprehensive loss for the period	(48,638)	(11,223)	(53,284)	(10,838)
Accumulated loss - beginning of period	(170,916)	(133,309)	(166,270)	(133,694)
Accumulated loss - end of period	(219,554)	(144,532)	(219,554)	(144,532)
Net loss per unit (note 9)				
-basic and diluted from continuing operations	(\$1.41)	(\$0.29)	(\$1.39)	(\$0.29)
-basic and diluted from discontinued operations	(0.07)	(0.05)	(0.23)	(0.04)
-basic and diluted	(1.48)	(0.34)	(1.62)	(0.33)

Going concern (note 2)

See accompanying notes to the consolidated financial statements

Petrowest Energy Services Trust

Consolidated Statements of Cash Flows

(Unaudited)

	Three months ended June 30		Six months ended June 30	
(In thousands of dollars)	2009	2008	2009	2008
Cash provided by (used in)				
Operating activities				
Net loss from continuing operations	(46,468)	(9,595)	(45,781)	(9,563)
Items not affecting cash				
Amortization of property and equipment	5,261	6,405	10,283	12,766
Amortization of intangible assets	984	1,210	1,957	2,421
Impairment of goodwill and intangible assets (notes 6 and 7)	35,446	1,874	35,446	1,874
Unit-based compensation expense (note 11)	112	143	140	143
Units issued for service	6	-	6	-
Future income taxes (recovery)	(6)	(934)	(2,941)	(817)
Loss on disposal of property and equipment	-	2,097	19	2,135
	(4,665)	1,200	(871)	8,959
Changes in non-cash working capital				
Accounts receivable	4,010	3,645	15,986	(864)
Prepaid expenses and other	(396)	(42)	(361)	728
Inventory	(94)	583	(337)	1,265
Accounts payable and accrued liabilities	(2,232)	(2,514)	(7,137)	(8,006)
	(3,377)	2,872	7,280	2,082
Financing activities				
Unitholder distributions	-	-	-	(953)
Repayment of capital lease obligations	(150)	(147)	(319)	(338)
Proceeds from revolving term bank loan	-	-	-	5,000
Repayment of revolving term bank loan	(4,550)	-	(15,550)	-
	(4,700)	(147)	(15,869)	3,709
Investing activities				
Purchase of property and equipment	(2,722)	(2,465)	(4,779)	(6,983)
Proceeds on property and equipment disposals	16	2,615	328	2,731
Purchase price adjustment	-	(34)	-	(25)
	(2,706)	116	(4,451)	(4,277)
Net change in cash from continuing operations	(10,783)	2,841	(13,040)	1,514
Cash flow from discontinued operations				
Operating activities	1,407	(2,866)	116	(1,789)
Financing activities	(7)	(3)	(10)	(5)
Investing activities	5,927	(665)	5,794	(923)
Net change in cash from discontinued operations	7,327	(3,534)	5,900	(2,717)
Decrease in cash and cash equivalents	(3,456)	(693)	(7,140)	(1,203)
Cash and cash equivalents (bank overdraft), beginning of period	(1,336)	(295)	2,348	215
Cash and cash equivalents (bank overdraft), end of period	(4,792)	(988)	(4,792)	(988)
Supplementary cash flow information				
Interest paid	1,400	1,770	2,626	3,499
Non cash transactions				
Property and equipment financed by capital leases	-	231	-	593

Going concern (note 2)

See accompanying notes to the consolidated financial statements.

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Notes to Consolidated Financial Statements

(Tabular amounts in thousands of dollars unless otherwise stated, except per unit amounts)

1 Basis of Presentation

The unaudited interim consolidated financial statements for Petrowest Energy Services Trust ("Petrowest or the "Trust") have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") for interim financial statements. 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 as well as estimates of temporary differences between accounting and tax values which affect the measurement of future income tax assets and liabilities. The accounting policies and methods of application followed in the preparation of the unaudited interim consolidated financial statements, other than described in Note 3 below, are the same as those followed in the preparation of the Trust's most recent audited annual consolidated financial statements dated December 31, 2008. The unaudited interim consolidated financial statements should be read in conjunction with the Trust's December 31, 2008 audited consolidated financial statements.

2 Going Concern

These unaudited interim consolidated financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due.

The Trust's ability to continue as a going concern is dependent upon its ability to renew its credit facility that has a one year term ending on December 14, 2009 and generate positive cash flows from operations. In the event the loan is not extended at the end of the term on December 14, 2009, the outstanding principal amount will become immediately due and payable. This leads to significant risk as to the ability of the Trust to meet its obligations and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Trust were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

The Trust has obtained waivers of the "funded debt to EBITDA ratio", "fixed charge coverage ratio" and "funded debt to capitalization ratio" financial covenants contained in the credit facility. The waivers for the above financial covenants are effective until September 25, 2009. The Trust is currently in discussions with the banking syndicate with respect to amending the existing credit facility to address the financial covenants on a prospective basis. If the discussions are not successful then a future covenant default could result in the demand for repayment of the current outstanding advances on the credit facility.

3 Change in Accounting Policies and Practices

Goodwill and Intangible Assets

On January 1, 2009, the Trust adopted the new CICA section 3064, "*Goodwill and Intangible Assets*" which replaced section 3062. This new standard revises the criteria for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of

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Notes to Consolidated Financial Statements

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this standard did not have a material impact on the Trust's unaudited interim consolidated financial statements.

4 Recent Accounting Pronouncement

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.

5 Seasonality

Petrowest's operations are conducted primarily in northern Alberta and northeastern British Columbia and are susceptible to the impacts of the seasons. The first quarter is subject to frozen conditions and periods of extreme cold and snow. This is typically one of the most active quarters for Petrowest, as oil and gas drilling activities focus on areas located in muskeg and swamp type conditions not normally accessible in a non-frozen state. The second quarter is generally the slowest quarter for Petrowest's operations, as the milder spring conditions result in soft, wet ground generally requiring the implementation of road bans which prevent heavy load transportation on roadways. The third quarter should reflect increased activity levels and typically generates revenues that fall somewhere in the range between quarters one and two with work relating to oil and gas projects in areas that do not entail access through muskeg. Quarter four starts out similar to the summer activity and ramps up as the ground freezes and access is permitted.

6 Intangible Assets Impairment

The Trust reviewed the remaining \$11.4 million carrying value of intangible assets for impairment as at June 30, 2009, as certain events or changes in circumstances occurred during the second quarter which indicated certain intangible assets were being carried at a cost greater than their fair value. An impairment of \$1.1 million was recorded in the second quarter of 2009. On an operating segmented basis the amount of the impairment was \$0.9 million in Construction and \$0.2 million in Rentals. The impairment was primarily related to customer relationships. The erosion of the Trust's enterprise value, primarily as a result of the global economic and financial crisis, combined with the change in pricing of corporate transactions in the energy services sector, were factors relating to this impairment. The continued low activity levels in the energy sector and continued pricing and margin pressures were also factors contributing to the impairment. Management of the Trust determined the fair value of intangible assets on a segment by segment basis using industry standard valuation methods such as discounted cash flows.

7 Goodwill Impairment

Goodwill represents the excess of purchase price of the acquired businesses over the fair value of net assets acquired and liabilities assumed.

	June 30, 2009	December 31, 2008
September 7, 2006 acquisitions	97,949	97,949
Additional settlement costs	119	119
May 18, 2007 acquisitions	21,939	21,939
Additional Settlement Costs	690	690
	120,697	120,697
Impairment	120,697	86,376
Closing balance	-	34,321

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During 2008 and 2009, the global economic and financial crisis has significantly impacted the Canadian economy. This crisis has resulted in reduced liquidity in the financial markets and caused lower commodity pricing. There have been significant reductions in capital spending by companies operating in the oil and gas sector. Although the Trust is partially diversified from the oil and gas sector, the events have impacted management's review of the carrying value of goodwill. As at June 30, 2009 the Trust recorded an impairment of goodwill for the remaining balance of \$34.3 million due to further decreases in oil and gas sector activity levels in the second quarter. On an operating segmented basis the amount of the impairment was \$12.0 million in Construction, \$4.5 million in Transportation, \$15.0 million in Civil, and \$2.8 million in Rentals. The erosion of the Trust's enterprise value, primarily as a result of the global economic and financial crisis, combined with the change in pricing of corporate transactions in the energy services sector, the continued low activity levels in the energy sector, and continued pricing and margin pressures, were factors contributing to the impairment. These factors impacted the activity in the oil and gas sector and demand for the Trust's services, resulting in lower utilization of the Trust's capacity, and an erosion of the Trust's enterprise value. Management of the Trust determined the fair value of goodwill on a segment by segment basis using industry standard valuation methods such as earnings multiples and discounted cash flows.

8 Revolving Bank Term Loan

The credit facility is comprised of a syndicated revolving term credit facility and a working capital facility to provide availability to the Trust for growth capital and working capital requirements. Security for the credit facility is provided by a first charge debenture, a general security agreement and a general assignment of book debts.

On December 15, 2008, the Trust renewed its credit facility. The credit facility has a one year revolving term ending on December 14, 2009 which may be extended for an additional 364 days at the discretion of the lender on application by the Trust. The agreement entered into by the Trust with its bank syndicate reduced the overall size of the credit facility from \$100.0 million to \$95.0 million with quarterly reductions of \$4.8 million commencing on March 31, 2009. In addition, the amendments preclude the payment of distributions by the Trust without the prior written consent of the bank syndicate and reduced the "funded debt to capitalization ratio" covenant to 0.50 to 1 from the current covenant of 0.55 to 1.

In the event the credit facility is not extended at the end of the term on December 14, 2009, the outstanding principal amount will become immediately due and payable. The credit facility bears interest at floating rates based on the bank prime rate plus a spread of up to 2.5%, depending on the current level of indebtedness and certain debt ratios.

The amount of the committed credit facility as at June 30, 2009 was \$75.5 million, a reduction of \$19.5 million during the first 6 months of 2009. This reduction is comprised of two quarterly reductions totaling \$9.5 million, \$5.0 million relating to obtaining the waiver of the financial covenant as at March 31, 2009 and \$5.0 million relating to the sale of certain assets in the Transportation segment.

The Trust has obtained waivers of the "funded debt to EBITDA ratio", "fixed charge coverage ratio" and "funded debt to capitalization ratio" financial covenants contained in the credit facility. The waivers for the above financial covenants are effective until September 25, 2009. The Trust is currently in discussions with the banking syndicate with respect to amending the existing credit facility to address the financial covenants on a prospective basis. If the discussions are not successful then a future covenant default could result in the demand for repayment of the current outstanding advances on the credit facility.

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9 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 Board of Directors of Petrowest Energy Services General Partner Ltd. in priority to any distribution payments on the Subordinated Units.

	As at June 30, 2009		As at December 31, 2008	
	Units	Amount	Units	Amount
Balance, beginning of period	31,766,308	291,107	31,756,308	291,144
Acquired units in purchase of acquired companies	-	-	-	(56)
Issued for services rendered	20,000	6	10,000	19
	31,786,308	291,113	31,766,308	291,107
Subordinated units, beginning of period	1,160,000	1,385	1,510,000	1,735
Redemption of subordinated units issued for cash	-	-	(350,000)	(350)
Redemption of subordinated units issued for promissory notes	-	-	-	(700)
Promissory note repayment	-	-	-	700
	1,160,000	1,385	1,160,000	1,385
Balance, end of period	32,946,308	292,498	32,926,308	292,492
Weighted average units for period – basic	32,933,822		33,159,077	
Weighted average units for period – diluted	34,816,824		34,589,359	

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 June 30, 2009, there was a balance of \$2,095,000 outstanding related to promissory notes, net of repayments.

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. The remaining 3,263,716 were released in the second quarter of 2009.

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10 Contributed Surplus

Continuity of contributed surplus:

	As at June 30, 2009	As at December 31, 2008
Balance – beginning of period	635	-
Unit based compensation expense	140	15
Value assigned to expired warrants	-	270
Redemption of subordinated units below carrying value	-	350
Balance – end of period	775	635

11 Unit Based Compensation

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 initially granted 908,000 DTU’s to participants which vest one third per year over the three year period from the date of grant. The DTU are either classified as equity settled instruments or as liabilities. For DTU’s classified as equity settled instruments, the 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 charged to unit based compensation expense and contributed surplus. The contributed surplus balance is reduced as vested units are settled. For DTU’s classified as liability settled instruments the 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 each reporting date where they are “marked to market” based on the unit price at the quarter end. The forfeitures for the three months ended and six months ended June 30, 2009 were 133,800 (2008 – nil).

The initial intent of the Trust was to settle the initial grant with units. Therefore, the DTU unit based compensation expense was calculated to September 30, 2008, based on the fair value of the units at the date of the grant. During the fourth quarter of 2008, the Trust decided to settle the first vesting with cash and the remainder with equity. Therefore, the Trust has accounted for the DTU unit based compensation expense for 2008 and 2009 using the liability method up to the vesting date of April 15, 2009 and then as an equity settled instrument for the remaining periods.

On December 1, 2008, an additional grant of 600,000 DTU’s was made. These units will vest one third per year over the three year period from the date of grant and be classified as an equity settled instrument.

During the second quarter of 2009, an additional grant of 1,418,215 DTU’s was made. These units will vest one third per year over the three year period from the date of grant and be classified as an equity settled instrument.

The effect on the consolidated financial statements for the three month ended and six month ended June 30, 2009 is approximately \$45,458 and \$152,962 of unit based compensation expense.

12 Income taxes

On June 12, 2007, the legislation implementing the new tax on publicly traded income trusts and limited partnerships (the “SIFT tax”), referred to as (Bill C-52), received third reading in the House of Commons and on June 22, 2007 the Bill received Royal Assent. As a result, the tax was

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considered to be enacted for accounting purposes in June 2007. SIFTs are certain publicly traded income and royalty trusts and limited partnerships, which includes 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 as follows:

	As at June 30, 2009	As at December 31, 2008
Future income tax assets		
Trust unit issue costs	627	699
Unit based compensation	107	28
	734	727
Future income tax liabilities		
Property and equipment	8,418	10,935
Intangible assets	1,111	1,528
	9,529	12,463

13 Related Party Transactions

Petrowest paid rent, supplies, and services for the three and six months ended June 30, 2009 for office and shop space under leases entered into with certain employees who were former owners of businesses acquired in the amount of \$737,456 (2008 - \$660,583) and \$1,655,991 (2008 - \$1,150,885) respectively. Transactions were recorded at the exchange amount which is estimated to approximate fair market value. The Trust has payables of \$339,766 (2008 - \$373,924) and receivables of \$2,940 (2008 - \$12,543) related to services provided to and from certain former owners of businesses acquired.

14 Financial Instruments

Fair Value of Financial Assets and Liabilities

The Trust's cash and cash equivalents are designated as held-for-trading. Accounts receivable are designated as loans and receivables and recorded at amortized cost, which approximates fair value due to the short term nature of the instrument. Accounts payable and accrued liabilities, obligations under capital leases and the revolving bank term loan are designated as other liabilities and are recorded at cost. The fair value of accounts payable and accrued liabilities approximate their carrying values due to the short term nature of these instruments. The fair value of obligations under capital lease and the revolving bank term loan approximate their carrying values as the interest rates applicable to these instruments reflect current market rates. Financing costs relating to all financial instruments are expensed as incurred.

Financial Risks

The Trust is exposed to a number of financial risks in the normal course of its business operations, including market risks, credit risks and liquidity risks. The Trust's operations are all in Canada and therefore are not subject to foreign currency risk. The nature of these risks has not changed significantly from the period ended December 31, 2008.

(a) Market Risk

Market risk is the risk that changes in market prices such as interest rates and commodity prices will affect the Trust's operating income or the value of its financial instruments.

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Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will be affected by changes in market interest rates. The revolving bank term loan is a floating rate credit facility which has exposure to changes in market interest rates. Currently the Trust is paying interest based on the prime lending rate, which is subject to market interest rate fluctuations. For each one percent increase/decrease in the prime lending rate, the yearly effect on pre-tax net earnings would be \$679,500, based on the \$68.0 million balance of the revolving bank term loan as at June 30, 2009.

Commodity Price Risk

Commodity price risk is the risk that fluctuations in oil or natural gas prices could materially adversely affect the Trust's financial condition. The commodity prices affect the levels of drilling activity, particularly with respect to natural gas, which affects demand for services provided by certain segments of the Trust's business. The Trust mitigates this exposure with its continued diversification into activities not related to the oil and gas industry.

(b) Credit Risk

Credit risk is the risk that the counterparty to a financial instrument fails to meet its contractual obligations, resulting in a financial loss to the Trust. This relates primarily to the Trust's trade accounts receivable.

The Trust maintains a broad customer base across its four operating business segments. A significant amount of the Trust's customer base is with entities in the oil and gas industry and is subject to normal industry credit risks. The other significant portion of the customer base is with significant construction and forestry companies. Two customers account for approximately 23% (12% and 11%) of the Trust's consolidated revenue for the six months ended June 30, 2009. Two customers accounts for approximately 29% (16% and 13%) of the Trust's accounts receivable balance as at June 30, 2009.

	Continuing Operations	Discontinued Operations	Total
0-30 days	9,371	-	9,371
30-61 days	3,774	3	3,777
61-90 days	3,450	17	3,467
Over 90 days	11,725	516	12,241
	28,320	536	28,856

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Included in the accounts receivable over 90 days is a provision for doubtful accounts in the amount \$647,742. The provision is based on an individual account by account analysis and prior credit history. The movement of the provision for doubtful accounts in respect of trade accounts receivable is detailed below:

Opening balance – December 31, 2008	(500)
Additional provision	(292)
Recovery of provision	21
Receivables written off	123
Closing balance – June 30, 2009	(648)

(c) Liquidity Risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due. This risk relates to the Trust's ability to generate or obtain sufficient cash or cash equivalents to satisfy these financial obligations as they become due. The Trust's processes for managing liquidity risk include managing net working capital, preparing and monitoring capital and operating budgets, coordinating and authorizing project expenditures, and authorization of contractual agreements. The Trust seeks additional financing based on the results of these processes. The budgets are updated when required as conditions change.

The timing of cash related to the satisfaction of other financial liabilities is as follows:

	1 year	2-3 years	4-5 years	Total
Bank overdraft	4,792	-	-	4,792
Accounts payable and accrued Liabilities	8,781	-	-	8,781
Obligations under capital leases	600	558	48	1,206
Revolving bank term loan	67,950	-	-	67,950
	82,123	558	48	82,729

See Note 2 for details on risk regarding the credit facility.

15 Capital Disclosures

The Trust strives to maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long term. The capital structure of the Trust is managed and adjusted to reflect changes in economic conditions. In order to maintain or adjust the capital structure, adjustments may be made to the amount of distributions (if any) to unitholders and the amount of capital returned to unitholders, in addition to the amount of new units issued. Sale of redundant assets may also be undertaken to adjust the capital structure by paying down the revolving bank term loan. Financing decisions are set based on the timing and extent of expected operating and capital cash outlays. Factors considered when determining whether to take on new debt or to issue equity include the amount of cash sought, the availability of these sources and their terms, and to the overall Net Debt to Capitalization ratio.

The Trust's capital structure is comprised of unitholders' equity, the revolving bank term loan (including the current portion) and obligations under capital leases (including the current portion) and is monitored by using a non-GAAP financial metric of Net Debt to Capitalization. Net Debt is calculated as the sum of the revolving bank term loan (including the current portion) and obligations under capital leases (including the current portion), less cash and cash equivalents. The Trust initially targeted a Net Debt to Capitalization ratio in the range of 40% to 50%. For the period ended June 30, 2009 the Net Debt had decreased \$8.7 million during the first six months of 2009. However, the Capitalization had decreased \$53.1 million during the same period,

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primarily as a result of the non-cash impairment of goodwill and intangibles of \$35.4 million and losses from operations (including discontinued operations) of approximately \$17.7 million (excluding impairment of goodwill and intangibles). If the non-cash impairment charge of \$35.4 million is not factored into this calculation the Net Debt to Total Capitalization would be 51.0%. The Trust intends on establishing new targets when the credit facility is restructured.

	As at June 30, 2009	As at December 31, 2008
Revolving bank term loan	67,950	83,500
Obligations under capital leases	1,206	1,525
Add (less) cash and cash equivalents/bank overdraft	4,792	(2,348)
	73,948	82,677
Unitholders' Equity	35,756	88,894
Total Capitalization	109,704	171,571
Net Debt to Total Capitalization	67.4%	48.2%

The entire revolving bank term loan has been classified as current on the balance sheet. The credit facility has a one year term ending on December 14, 2009. There is no guarantee that it will be renewed. In the event the loan is not extended at the end of the term on December 14, 2009, the outstanding principal amount will become immediately due and payable. The Trust would unlikely have sufficient resources to repay the entire outstanding balance without obtaining alternative sources of financing.

The Trust's credit facility contains four financial covenants which are required to be met on a quarterly basis. The amount of the committed credit facility as at June 30, 2009 was \$75.5 million, a reduction of \$19.5 million during the first 6 months of 2009. This reduction is comprised of two quarterly reductions totaling \$9.5 million, \$5.0 million relating to obtaining the waiver of the financial covenant as at March 31, 2009 and \$5.0 million relating to the sale of certain assets in the Transportation segment. A covenant default could result in the demand for repayment of the current outstanding advances on the credit facility. The Trust is currently in discussions with the banking syndicate relating to the credit facility. The Trust's capital management objectives have not changed over the periods presented.

Petrowest Energy Services Trust

Notes to Consolidated Financial Statements

(Tabular amounts in thousands of dollars unless otherwise stated, except per unit amounts)

16 Segmented Information

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

For the three months ended June 30, 2009

	Construction	Transportation	Civil	Rentals	Discontinued Operations	Corporate	Total
Total revenue	6,183	3,401	8,527	624	394	-	19,129
Less inter-segment revenue	(620)	(785)	(1)	(326)	(10)	-	(1,742)
Revenue	5,563	2,616	8,526	298	384	-	17,387
Operating and general and administrative	6,932	2,751	8,324	1,058	1,522	1,409	21,996
Interest expense	356	116	329	72	26	439	1,338
Interest income	-	-	-	-	-	-	-
(Gain) Loss on disposal of equipment	-	-	-	-	1,006	-	1,006
Amortization	2,980	796	1,705	693	-	71	6,245
Asset impairment	12,887	4,510	14,951	3,098	-	-	35,446
Future income taxes	-	-	-	-	-	(6)	(6)
Net earnings (loss)	(17,592)	(5,557)	(16,783)	(4,623)	(2,170)	(1,913)	(48,638)
Capital expenditures	1,292	239	736	455	3,099	-	5,821

For the three months ended June 30, 2008

	Construction	Transportation	Civil	Rentals	Discontinued Operations	Corporate	Total
Total revenue	10,130	5,818	17,569	1,043	2,386	-	36,946
Less inter-segment revenue	(578)	(890)	(2)	(256)	(92)	-	(1,818)
Revenue	9,552	4,928	17,567	787	2,294	-	35,128
Operating and general and administrative	9,372	5,029	12,968	1,235	3,090	1,698	33,392
Interest expense	18	-	1	-	1	1,490	1,510
Interest income	(34)	-	-	-	-	-	(34)
(Gain) Loss on disposal of equipment	1,565	101	310	121	85	-	2,182
Amortization	4,055	808	1,871	791	746	90	8,361
Asset impairment	1,874	-	-	-	-	-	1,874
Future income taxes	-	-	-	-	-	(934)	(934)
Net earnings (loss)	(7,298)	(1,010)	2,417	(1,360)	(1,628)	(2,344)	(11,223)
Capital expenditures	700	315	929	473	801	48	3,266

Petrowest Energy Services Trust

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(Tabular amounts in thousands of dollars unless otherwise stated, except per unit amounts)

For the six months ended June 30, 2009

	Construction	Transportation	Civil	Rentals	Discontinued Operations	Corporate	Total
Total revenue	26,596	12,693	18,685	2,148	5,143	-	65,265
Less inter-segment revenue	(2,145)	(1,663)	(3)	(1,172)	(95)	-	(5,078)
Revenue	24,451	11,030	18,682	976	5,048	-	60,187
Operating and general and administrative	21,048	9,690	17,648	2,176	6,328	3,257	60,147
Interest expense	758	251	730	152	131	448	2,470
Interest income	-	-	-	-	-	(2)	(2)
(Gain) Loss on disposal of equipment	-	26	(7)	-	1,006	-	1,025
Amortization	5,750	1,569	3,424	1,358	586	139	12,826
Asset impairment	12,887	4,510	14,951	3,098	4,500	-	39,946
Future income taxes	-	-	-	-	-	(2,941)	(2,941)
Net earnings (loss)	(15,992)	(5,016)	(18,064)	(5,808)	(7,503)	(901)	(53,284)
Capital expenditures	1,887	436	1,654	521	3,232	37	7,767

For the six months ended June 30, 2008

	Construction	Transportation	Civil	Rentals	Discontinued Operations	Corporate	Total
Total revenue	36,010	17,541	33,927	2,801	9,681	-	99,960
Less inter-segment revenue	(2,367)	(2,479)	(129)	(701)	(117)	-	(5,793)
Revenue	33,643	15,062	33,798	2,100	9,564	-	94,167
Operating and general and administrative	26,405	13,847	26,018	2,331	9,282	3,752	81,635
Interest expense	99	18	51	1	2	3,275	3,446
Interest income	(2)	-	-	(2)	-	(6)	(10)
(Gain) Loss on disposal of equipment	1,603	101	310	121	85	-	2,220
Amortization	8,077	1,567	3,729	1,633	1,470	181	16,657
Asset impairment	1,874	-	-	-	-	-	1,874
Future income taxes	-	-	-	-	-	(817)	(817)
Net earnings (loss)	(4,413)	(471)	3,690	(1,984)	(1,275)	(6,385)	(10,838)
Capital expenditures	1,356	1,731	3,338	474	1,059	84	8,042

Selected balance sheet items as at June 30, 2009

	Construction	Transportation	Civil	Rentals	Discontinued Operations	Corporate	Total
Current assets	9,051	3,633	20,542	939	666	431	35,262
Property and equipment	34,279	10,348	25,239	10,610	-	1,304	81,780
Intangibles	4,047	957	4,762	553	-	-	10,319
Goodwill	-	-	-	-	-	-	-
Future income tax	-	-	-	-	-	734	734
Total assets	47,377	14,938	50,543	12,102	666	2,469	128,095

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(Tabular amounts in thousands of dollars unless otherwise stated, except per unit amounts)

Selected balance sheet items as at December 31, 2008

	Construction	Transportation	Civil	Rentals	Discontinued Operations	Corporate	Total
Current assets	49,242	21,023	34,376	(1,419)	4,549	(50,990)	56,781
Property and equipment	37,612	11,287	26,043	11,289	11,700	1,405	99,336
Intangibles	5,855	1,149	5,432	966	180	-	13,582
Goodwill	12,016	4,510	14,951	2,844	-	-	34,321
Future income tax	-	-	-	-	-	727	727
Total assets	104,725	37,969	80,802	13,680	16,429	(48,858)	204,747

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

17 Impairment of Property and Equipment

The Trust provided for an impairment of \$4.5 million related to the rig mobilization and demobilization assets from the Transportation segment on March 31, 2009. The amount has been included as discontinued operations on the statement of loss for June 30, 2009. Management of the Trust determined the fair value of the rig mobilization and demobilization equipment using industry standard valuations prepared by a third party based on current market assumptions relating to the oil and gas services sector.

In 2008 and 2009, the most significant event to occur affecting Canadian businesses was the global economic and financial crisis. This crisis resulted in reduced liquidity in the financial markets and caused lower commodity pricing due to significant demand decreases for commodities world wide. There have been significant reductions in capital spending with companies operating in the oil and gas sector. This resulted in a significant decline in drilling activities for the first 3 months of 2009.

The measurement of the impairment was assessed as the amount by which the carrying amount of an asset exceeded its estimated fair market value.

18 Discontinued Operations

On April 2, 2009, the Trust made a decision to dispose of the rig mobilization and demobilization assets of the Transportation segment. The rig mobilization and demobilization has incurred accumulated losses and negative cash flow for the last two years. Management determined that the rig mobilization and demobilization activity was unlikely to improve in the near term due to current economic conditions.

On May 14, 2009, the Trust sold all of the assets used by Petrowest in its rig mobilization and demobilization business for a purchase price of \$10 million and recorded a loss on disposal of \$1 million under discontinued operations on the statement of loss. As this was an asset sale, Petrowest retained all of the accounts receivable and accounts payable associated with this business. Proceeds from the sale were used to reduce the revolving bank term loan.

Comparative figures have been adjusted to remove activities in the rig mobilization and demobilization assets and to report those amounts as a discontinued operation.

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Notes to Consolidated Financial Statements

(Tabular amounts in thousands of dollars unless otherwise stated, except per unit amounts)

The following amounts have been included in the June 30, 2009 and December 31, 2008 Consolidated Balance Sheets:

	As at June 30, 2009	As at December 31, 2008
Current assets related to discontinued operations		
Accounts receivable	536	3,455
Prepaid expenses	130	113
Inventory	-	981
Total current assets related to discontinued operations	666	4,549
Assets held for sale		
Property and equipment	-	11,700
Intangible assets	-	180
Discontinued assets held for sale	-	11,880
Current liabilities related to discontinued operations		
Accounts payable and accrued liabilities	81	2,437
Current portion of obligations under capital leases	-	10
Total current liabilities related to discontinued operations	81	2,447

The following amounts have been included in the June 30, 2009 and June 30, 2008 Consolidated Statements of Net Loss, Comprehensive Loss and Accumulated Loss are:

	Three months ended		Six months ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Revenue	384	2,294	5,048	9,564
Expenses				
Operating expenses	1,522	3,090	6,328	9,282
Interest	26	1	131	2
Amortization of property and equipment	-	729	569	1,437
Amortization of intangible assets	-	17	17	33
Impairment of property and equipment	-	-	4,500	-
	1,548	3,837	11,545	10,754
Operating loss	(1,164)	(1,543)	(6,497)	(1,190)
Loss on sale of property and equipment	(1,006)	(85)	(1,006)	(85)
Net loss before income taxes	(2,170)	(1,628)	(7,503)	(1,275)
Income taxes (recovery)	-	-	-	-
Discontinued Operations, net of tax	(2,170)	(1,628)	(7,503)	(1,275)

19 Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation.