MANAGEMENT'S DISCUSSION AND ANALYSIS

The following interim Management's Discussion and Analysis ("MD&A") is dated August 12, 2009. 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, 2008 and the unaudited interim consolidated financial statements for the three and six months ended June 30, 2009 and the notes contained therein.

COMPARATIVE PERIODS – DISCONTINUED OPERATIONS

During the second quarter of 2009 the Trust made the decision to dispose of the rig mobilization and demobilization assets of the Transportation segment ("Discontinued Operations"). The Discontinued Operations incurred accumulated losses and negative cash flow the past two years. Management determined that the rig mobilization and demobilization activity was unlikely to improve in the near term due to current economic conditions in the energy sector. Management's strategy includes focusing on its core businesses and disposing of non-core businesses which are underperforming.

The current period for the three months ended June 30, 2009 contains operating results of the Discontinued Operations for 44 days and 134 days for the six months ended June 30, 2009. The comparable periods in 2008 contain operating results of this business for 91 and 181 days respectively. This interim MD&A will focus on operations from continuing operations except for the non-GAAP measures Standardized Distributable Cash and Adjusted Distribution Base which will include the results of Discontinued Operations.

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. In addition, readers should note that these measures are based on continuing operations only. 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 growth capital expenditures and pay distributions. It is calculated as Standardized Distributable Cash adjusted for growth 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 industrial and civil infrastructure projects, gravel crushing and hauling for non-energy sector customers. The Trust is based in the Grande Prairie area of northern Alberta. For the three month period ended June 30, 2009 approximately 26% (2008 – 20%) of the Trust's services were related to the energy sector with the remainder of services related to non-energy sectors. For the six month period ended June 30, 2009 approximately 36% (2008 – 32%) of services were related to the energy sector. These percentages do not factor in the energy sector activities of the Discontinued Operations and relate to continuing operations. For the three month period ended June 30, 2009 the energy sector percentage was 6% greater compared to the same period of 2008. This was primarily attributable to the non-energy related performance of the aggregate rock crushing and sand screening operation in the Civil segment for this period compared to 2008. The percentage of energy related activities increases for the six month periods ended June 30, 2009 and 2008 were for the same reasons as in the three month period.

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 "Murtron Hauling" and "Cutbank Trucking" and specializes in 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. The Discontinued Operations had operated under the trade name "D&D Well Services".

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 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

Petrowest is dependent to a degree on the overall health of the western Canadian oil and gas industry, as approximately 36% of the Trust’s total revenue from continuing operations for the first six months of 2009 is related to the support of oil and gas exploration and development activities, and particularly the natural gas sector. The Western Canada Sedimentary Basin (“WCSB”) is Canada’s primary source of gas production and accounts for the majority of all gas production in Canada. Initial well production rates are declining for both oil and gas in the WCSB with drilling activities focused more in the western portion of the WCSB and in particular the Montney and Horn River shale gas plays.

The global economic and financial crisis continues to have an impact on the Trust, primarily the businesses in the Trust dependent on the energy sector. There is a relationship between drilling exploration activity and the price of commodities. The global crisis has caused concerns worldwide regarding the current and short term demand for both oil and gas with a resultant decrease in oil and gas prices, and in turn drilling activities. With a decline in drilling activities, in addition to OPEC’s pledged production cuts, it is anticipated that supply and demand will become balanced in the future with a resultant increase in commodity pricing and drilling activity. The timing of this is uncertain.

In the second quarter of 2009, the global economic and financial crisis continued to create a high degree of uncertainty which has reduced liquidity in financial markets, restricted access to both debt and equity financing and caused continuing volatility in commodity prices. The near-month natural gas price quoted on the NYMEX declined during the first four months of 2009 and increased marginally in the final two months of the second quarter of the year. The price averaged U.S. $3.82/mmbtu during the second quarter of 2009, down from U.S. $4.39/mmbtu in the first quarter. These compared to average prices of U.S. $11.49/mmbtu and U.S. $8.77/mmbtu in the comparable periods of 2008 which represents declines of approximately 67% and 50% respectively. The price of natural gas for the first six months of 2009 averaged U.S. $4.10/mmbtu compared to U.S. $10.14/mmbtu in 2008, representing a decrease of approximately 60%. Crude oil prices have steadily increased in each of the first six months of 2009 to average U.S. $51.50/bbl compared to U.S. $111.08/bbl in the comparable six month period of 2008. 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 continue to 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 will result in lower spending by oil and gas producers for the more marginal oil and natural gas projects and demand for the Trust’s services.

On July 7, 2009, the Canadian Association of Oilwell Contractors (CAODC) made further significant reductions in the 2009 forecast of drilling activity. This downgrade in activity cut projections for wells drilled by 21%, down by 2,389 wells from the February 2009 revised forecast for 2009. The February revised forecast was down 3,149 wells or 22% from the October 2008 original forecast for 2009. There has been a 39% decreased in the anticipated well count compared to the October 2008 projection for 2009. The average drilling rig utilization is anticipated to be 26% or 219 rigs out of 858 rigs available which is considerably below the utilization realized in 2008, 2007 and 2006 of 40%, 38% and 60% respectively. CAODC indicated that the February forecast revision anticipated some recovery in the last six months of 2009 based on strengthening natural gas prices which have not materialized.

On March 3, 2009, the Government of Alberta introduced a three-point short term incentive program designed to stimulate the energy sector in Alberta. The program is designed to provide increased capital spending with a resultant increase in drilling activity. The first part of the program is a drilling royalty credit for new conventional oil and gas wells drilled between April 1, 2009 and March 31, 2010. The incentive will be based on a sliding scale tied to 2008 production and is designed to benefit small and mid-sized producers. The second part of the short term incentive program is a new well incentive which provides a maximum five percent royalty rate for the first year of production for wells commencing production of oil or gas between April 1, 2009 and March 31, 2010. The final part of this incentive program is a $30.0 million fund committed to the environmental clean-up of inactive oil and gas wells.

Since October 2008, the majority of oil and gas exploration and production companies have scaled back capital spending and delayed certain projects, with expensive projects in the Canadian oil sands being the most affected. This has resulted in the removal of billions of dollars in capital spending from the energy sector. For the second quarter of 2009, there were 784 wells drilled compared to 1,620 wells in the same period of 2008. This was the first time this decade that less than 1,000 wells were rig released in the second quarter. In the first six months of 2009 there were 3,753 wells rig released compared to 6,757 in the first half of 2008 or a 44.5% decrease over the comparable period of 2008. British Columbia experienced the lowest percentage decrease in the first half of 2009. The Trust is continuing to expand its services to northeastern British Columbia where the drilling activity remains relatively strong compared to the rest of Canada. For the three months ended June 30, 2009 there were only 1,768 well licences issued compared to 3,689 permits issued in the second quarter of 2009. There was a decline in every province. In the first half of 2009, there were a total of 5,285 wells licensed compared to 8,725 in the same period last year which is the lowest number since 1999.

The Trust continues to focus on diversification into industrial and civil infrastructure activities. This diversification objective has had limited success due to pricing pressures in the bidding process with increased number of parties providing bids. On April 7, 2009, the Government of Alberta released its 2009 budget (the “Budget”). The Budget included $23.2 billion of infrastructure projects over the next three years. These infrastructure projects will not only assist in stimulation of the economy, but will provide Albertans with jobs. Included in the capital plan is $5.8 billion for provincial highway networks.

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 as a result of government stimulus packages, 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 in 2009 with redeployment of equipment and skilled personnel to capitalize on demand in nearby regions plus improving utilization rates and financial results. With the shift in the North American natural gas markets towards unconventional shale gas basins, the Trust has moved quickly to position itself in two of North America’s premier shale gas plays. The Trust has opened a full service office and maintenance facility in Fort Nelson and increased marketing emphasis in the northeastern British Columbia emerging Horn River and Montney shale gas plays. Petrowest has also undertaken a strategy to expand its presence in the oil sands mining sector by appointing a Divisional vice president and by securing office and industrial space in Fort McMurray. This sector represents the largest area of potential growth for the Trust.

The second quarter financial results continue to reflect the significantly reduced activity in the energy sector. While oil prices strengthened during the quarter, the price of natural gas deteriorated further. With spring break-up the financial results for the second quarter are typically the lowest of the year. However, margins were negative during the quarter as a result of revenue decreases exceeding cost reductions in addition to continuing pricing pressures from customers and reduced equipment utilization rates. We are effecting further cost cutting measures and pursuant to the press release issued on July 27, 2009, the Trust is reviewing all available strategic and financial restructuring options.

Management of the Trust is taking steps to streamline and improve operating efficiencies in addition to taking proactive steps to improve the financial flexibility of the Trust. This is being accomplished through consolidation of entities within segments, consolidation of redundant management functions and a detailed review of the fixed cost structures inherent in the Trust to reduce costs and improve both operations and financial results. Management is also reviewing potential sale of under-performing assets with any proceeds to be applied to reduce the revolving bank term loan. On July 27, 2009 the Trust announced the formation of a Special Committee of independent directors to investigate and evaluate various strategic alternatives available to the Trust. The Special Committee retained FirstEnergy Capital Corp to act as financial advisors in this review process.

FINANCIAL INFORMATION

Financial Results

(thousands of dollars, except per unit amounts, margins and ratios)	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
Revenue by segment:				
Construction	**5,563**	9,552	**24,451**	33,643
Transportation	**2,616**	4,928	**11,030**	15,062
Civil	**8,526**	17,567	**18,682**	33,798
Rentals	**298**	787	**976**	2,100
Revenue from continuing operations	**17,003**	32,834	**55,139**	84,603
Operating expenses	**19,065**	28,604	**50,562**	68,601
Gross margin from continuing operations[1]	**(2,062)**	4,230	**4,577**	16,002
Gross margin percentage[1]	**(12%)**	13%	**8%**	19%
General and administrative	**1,409**	1,698	**3,257**	3,752
EBITDA from continuing operations[1]	**(3,471)**	2,532	**1,320**	12,250
EBITDA margin percentage[1]	**(20%)**	8%	**2%**	14%
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	**35,446**	1,874	**35,446**	1,874
Loss on disposal of property and equipment	**-**	2,097	**19**	2,135
Other income	**-**	(34)	**(2)**	(10)
Net loss and comprehensive loss from continuing operations before income taxes	**(46,474)**	(10,529)	**(48,722)**	(10,380)
Future income tax expense (recovery)	**(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	**(2,170)**	(1,628)	**(7,503)**	(1,275)
Net loss and comprehensive loss for the period	**(48,638)**	(11,223)	**(53,284)**	(10,838)
Net loss per unit – basic and diluted from continuing operations	**(1.41)**	(0.29)	**(1.39)**	(0.29)
Net loss per unit – basic and diluted from discontinued operations	**(0.07)**	(0.05)	**(0.23)**	(0.04)
Net loss per unit – basic and diluted	**(1.48)**	(0.34)	**(1.62)**	(0.33)
Total assets	**128,095**	232,464	**128,095**	232,464
Total liabilities	**92,339**	121,723	**92,339**	121,723
Unitholders' equity	**35,756**	110,741	**35,756**	110,741

[1] See "*Non-GAAP Measures*"

Financial Resources and Liquidity

(thousands of dollars, except unit amounts)	Three months ended June 30		Six months ended June 30	
	2009	2008	**2009**	2008
Cash provided from operating activities	**(3,377)**	2,872	**7,280**	2,082
Standardized distributable cash (shortfall) [1]	**N/A[2]**	N/A[2]	**8,739**	(4,882)
Adjusted distribution base [1]	**N/A[2]**	N/A[2]	**(489)**	8,105
Adjusted distribution base payout ratio [1]				
Units outstanding	**32,946,308**	33,266,308	**32,946,308**	33,266,308
Weighted average units outstanding – basic	**32,941,253**	33,266,308	**32,933,822**	33,266,308

[1] See "*Non-GAAP Measures*"

[2] Not calculated for the three-month period

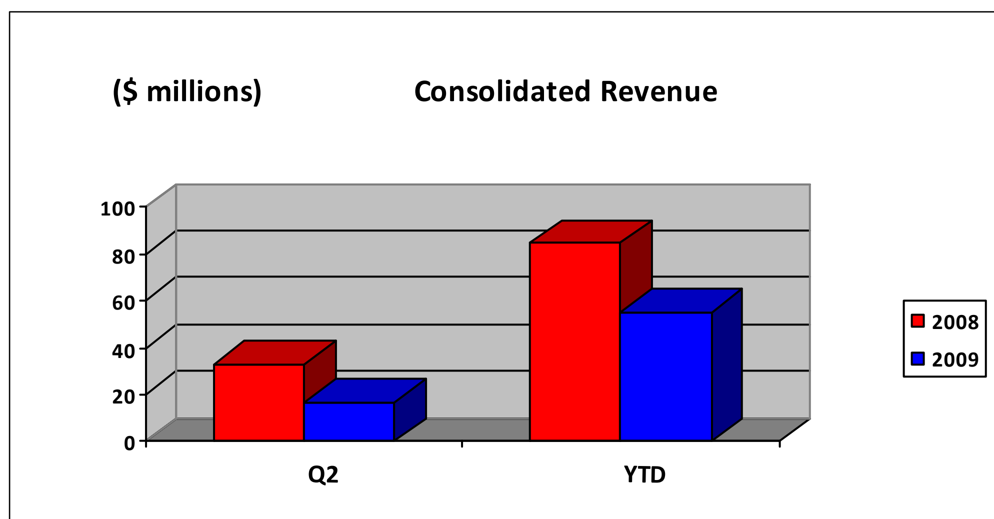
Consolidated revenue from continuing operations for the three months ended June 30, 2009 was $17.0 million, a 48% decrease over consolidated revenue from continuing operations of $32.8 million in the comparable period of 2008. Gross margin and EBITDA percentages both decreased significantly compared to the comparable period of 2008. During the quarter a $35.4 million impairment relating to goodwill ($34.3 million) and intangible assets ($1.1 million) was recorded, as management of the Trust determined the carrying values of goodwill and intangible assets exceeded their estimated fair values. On May 14, 2009 the Trust closed the sale of certain under-performing rig mobilization and demobilization assets in the Transportation sector. For the three months ended June 30, 2009 the net loss from these discontinued operations was $2.2 million compared to a loss of $1.6 million in the comparable period of 2008. As at June 30, 2009 the revolving bank term loan (including bank overdraft) was $72.7 million, a reduction of $8.4 million from the $81.1 million of net debt

as at December 31, 2008 and a reduction of $20.6 million since September 30, 2008. During the second quarter of 2009 there was a $3.8 million reduction in working capital after adjusting for net debt. The Trust obtained waivers from the bank syndicate for three financial covenants contained in the credit facility.

Consolidated revenue from continuing operations for the six months ended June 30, 2009 was $55.1 million, a decrease of 35% over consolidated revenue from continuing operations of $84.6 million in the comparable period of 2008. Gross margin and EBITDA percentages decreased by 11% and 12% respectively compared to 2008. For the six months ended June 30, 2009 the net loss from discontinued operations was $7.5 million compared to a loss of $1.3 million in the comparable period of 2008.

RESULTS SUMMARY

REVENUE FROM CONTINUING OPERATIONS



Consolidated revenue from continuing operations for the three months ended June 30, 2009 was $17.0 million, a 48% decrease from revenue of $32.8 million in the comparable period of 2008. All segments had decreased revenue on a quarter over quarter basis as a result of a significant decrease in activity in the energy sector, lower utilization of equipment in the Civil segment and reduced demand in the lumber sector which affects the Transportation segment.

The Trust's objective of diversifying from the oil and natural gas sector remains an important strategic objective, with approximately 36% (2008 – 32%) of consolidated revenue in the first six months of 2009 relating to this sector. The Trust will continue to pursue industrial and civil infrastructure projects with the oil and gas sector continuing as an important ongoing component of the Trust. This is especially important in 2009, given the current activity level and utilization rate projections in the oil and gas sector.

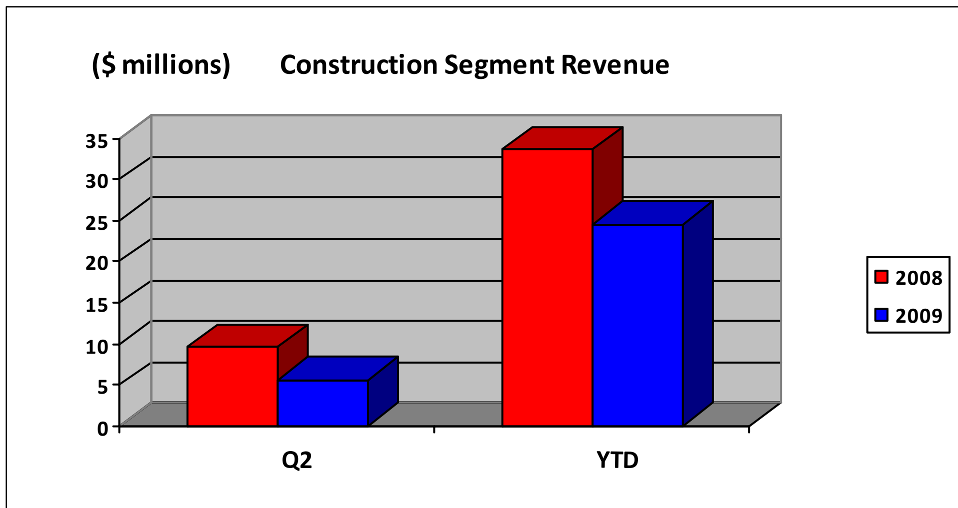
There was not a significant shift in the revenue contribution percentages by the four business segments during the second quarter of 2009 compared to the second quarter of 2008, with a 4% revenue contribution increase in the Construction segment and a 4% decrease in the Civil segment on a percentage of revenue basis. For the three months ended June 30, 2009, the revenue contribution percentage for each business segment was Construction 33%, Transportation 15%, Civil 50%, and Rentals 2%. The revenue contribution percentage for each business segment for the second quarter of 2008 was Construction 29%, Transportation 15%, Civil 54% and Rentals 2%.

Consolidated revenue from continuing operations for the six months ended June 30, 2009 was $55.1 million, a 35% decrease from revenue of $84.6 million in the comparable period of 2008. All segments had decreased revenue on a quarter over quarter basis as a result of a significant decrease in activity in the energy sector.

For the six months ended June 30, 2009, compared to the same period in 2008, the largest contribution change was the Civil segment which had a decrease of 6%, with the Construction segment increasing by 4% and the Transportation segment increasing by 2% on a percentage of revenue basis. The revenue contribution percentages for each business segment for the six months ended June 30, 2009 were Construction 44%, Transportation 20%, Civil 34% and Rentals 2%.

The revenue contribution percentages for each business segment for the six months ended June 30, 2008 were Construction 40%, Transportation 18%, Civil 40% and Rentals 2%.

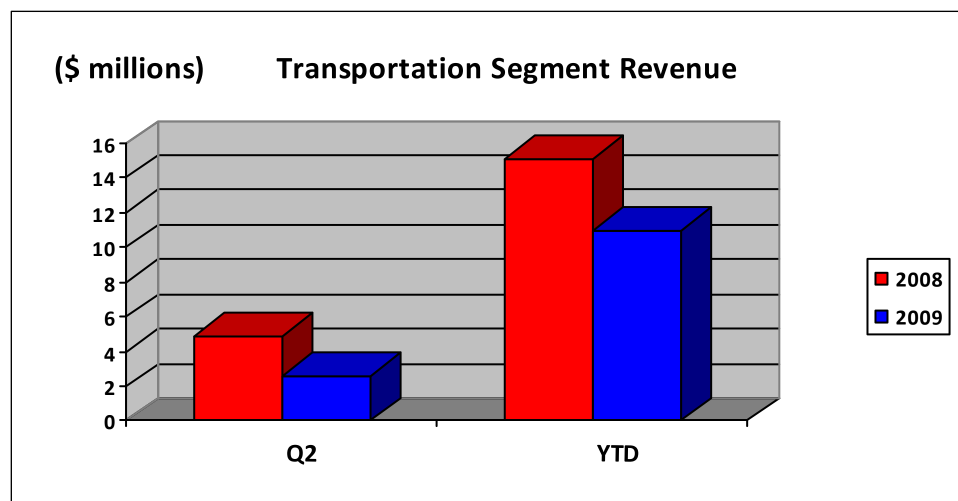
Construction Segment



Construction segment revenue for the three months ended June 30, 2009 was $5.6 million (2008 - $9.6 million) comprising 33% of the Trust's total consolidated revenue and representing a decrease of $4.0 million over the comparable prior year period. The overall general decline in revenue in the Construction segment is directly attributable to the decreased activity in the oil and gas sector. The activity in northeastern British Columbia where the Montney and Horn River shale gas plays are located, remained relatively strong but were negatively impacted by some cancellations of summer drilling programs.

Construction segment revenue for the six months ended June 30, 2009 was $24.5 million (2008 - $33.6 million) comprising 44% of the Trust's total consolidated revenue and representing a decrease of $9.1 million over the comparable prior year period. The overall general decline in revenue is attributed to the same factors as discussed above plus the loss of revenue in the Woodland Cree First Nations area which contributed significant revenues in the first quarter of 2008.

Transportation Segment



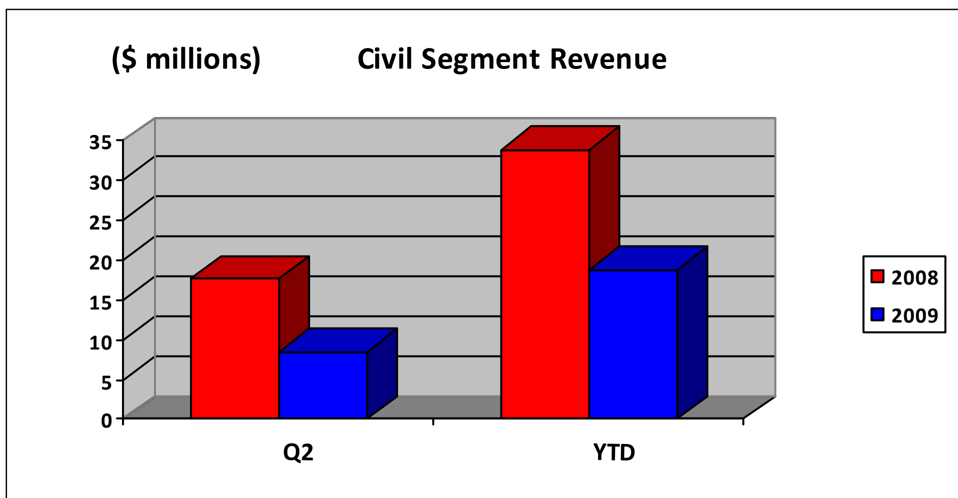
The Transportation segment consists of specialized hauling; primarily log hauling in the winter months and gravel hauling in the summer in addition to year round heavy equipment hauling. The other component of the Transportation segment consisted of the rig mobilization and demobilization business. This component was directly affected by the significant reduction in drilling activities in the energy sector. The assets of this Discontinued Operation were sold in May, 2009 due

to the accumulated losses and negative cash flows over the past two years and management's view that drilling activity was not likely to improve in the near term. The revenue from the Discontinued Operations of $5.0 million for the first six months of 2009 (2008 - $9.6 million) have been excluded from this revenue analysis.

Transportation segment revenue for the three months ended June 30, 2009 was $2.6 million (2008 - $4.9 million), comprising 15% of the Trust's total consolidated revenue and representing a decrease of $2.3 million over the comparable period in the prior year. The main factors contributing to the decrease was a two week shutdown of log haul activities due to weather and log haul operations which were delayed by a significant customer in 2009 compared to 2008.

Transportation segment revenue for the six months ended June 30, 2009 was $11.0 million (2008 - $15.1 million) representing a decrease of $4.1 million over the comparable period of 2008. In addition to the factors mentioned above, one of the major forestry clients reduced the amount of log haul, which affected revenues on a quarter over quarter basis in the first quarter of 2009.

Civil Segment

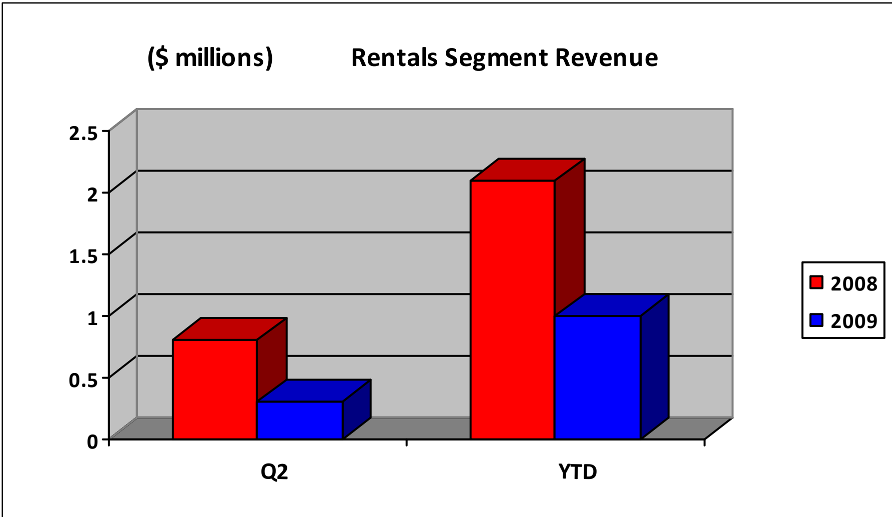


The Civil segment has two components, with the largest component of this segment being mobile aggregate rock crushing and sand screening. The second component, oilfield safety services, provides air unit trailers and wash unit services for sour gas drilling and plant turnarounds. Services provided in this component are related to drilling activity in the energy sector resulting in this business operation being directly affected by oil and natural gas drilling activities.

Revenue has decreased for both components of the Civil segment. Civil segment revenue for the three months ended June 30, 2009 was $8.5 million (2008- $17.6 million) comprising 50% of the Trust's total consolidated revenue and representing a decrease of $9.1 million over the comparable period in the prior year. The decrease relates to lower utilization (due to demand) of the crushing spreads during the quarter with five of eight in operation for the quarter in addition to lower pricing due to competitive pressures.

Civil segment revenue for the six months ended June 30, 2009 was $18.7 million (2008 – $33.8 million) representing a decrease of $15.1 million compared to the same period of 2008. The same factors mentioned for the three month period above applies to the six month period.

Rentals Segment



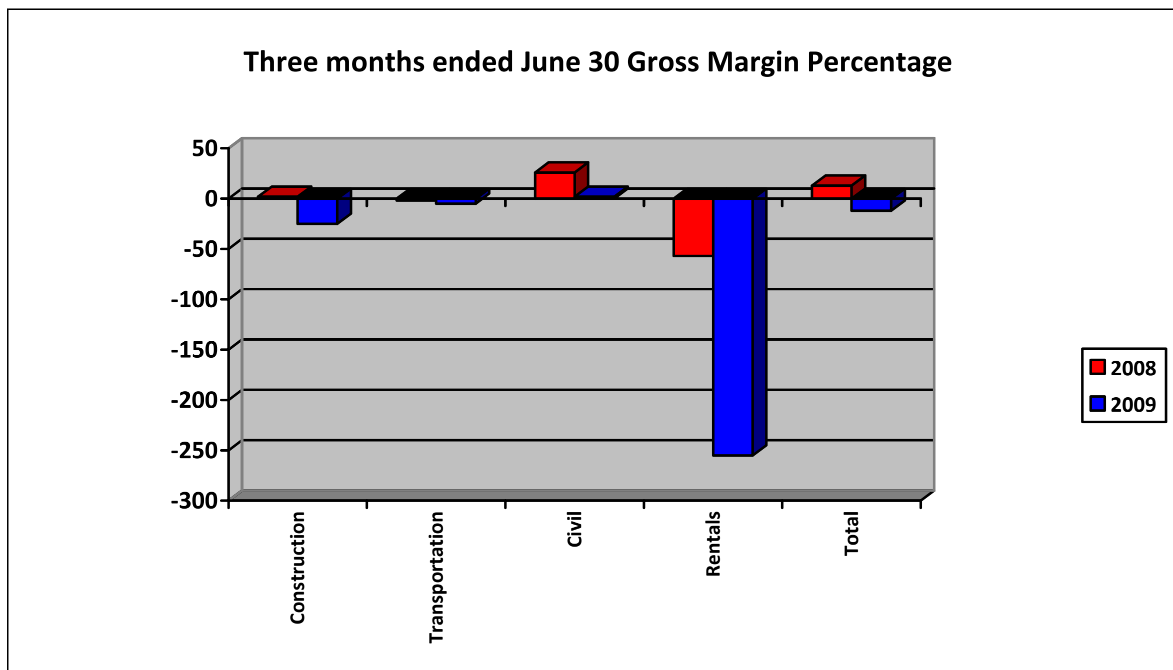
There are numerous factors contributing to the financial results of the Rentals segment. Reduced demand for certain equipment, resulted in unutilized equipment. Management is reviewing alternative uses of this equipment to maximize revenue going forward. The Trust redeployed this equipment to other segments 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 three months ended June 30, 2009 was $0.3 million (2008 - $0.8 million) comprising 2% of the Trust's total consolidated revenue and representing a decrease of $0.5 million over the comparable period in the prior year. The decrease on an unconsolidated basis prior to elimination of inter-segment revenues is $0.4 million.

Rentals segment revenue for the six months ended June 30, 2009 was $1.0 million (2008 - $2.1 million) comprising 2% of the Trust's total consolidated revenue and representing a decrease of $1.1 million over the comparable period in the prior year.

OPERATING EXPENSES AND GROSS MARGIN

Consolidated Gross Margins from continuing operations have been under considerable pricing pressure the first six months of 2009 compared to 2008, particularly for the three months ended June 30, 2009. The level of drilling activity in the energy sector has resulted in significantly less demand for construction of oil and gas lease well site pads and other ancillary services. This has resulted in increased pricing pressure due to the increased number of parties submitting bids for a lower number of projects. In addition, there has been considerable pricing pressure relating to industrial and civil infrastructure projects. These factors, combined with a minimum fixed cost structure and lower revenues has contributed to reduced margins.



(thousands of dollars except percentages)	**Operating expenses for the three months ended June 30, 2009**	**Operating expenses as a % of revenue**	**Gross Margin Percentage**	Operating expenses for for the three months ended June 30, 2008	Operating expenses as a % of revenue	Gross Margin Percentage
Construction segment	**6,932**	**125%**	**(25)%**	9,372	98%	2%
Transportation segment	**2,751**	**105%**	**(5)%**	5,029	102%	(2)%
Civil segment	**8,324**	**98%**	**2%**	12,968	74%	26%
Rentals segment	**1,058**	**355%**	**(255)%**	1,235	157%	(57)%
	19,065	**112%**	**(12)%**	28,604	87%	13%

Consolidated operating expenses for the three months ended June 30, 2009 were $19.1 million (2008 - $28.6 million) with a Gross Margin of negative 12% compared to 13% for the same period in 2008. The major costs incurred for equipment owned by the Trust are labour, fuel, equipment leases and repairs and maintenance. The other significant operating expenses relate to payments to subcontractors. Margins continued to be under pressure as a result of increasing costs associated with the operation of the Trust’s equipment and significantly lower activity levels in the oil and gas sector, all of which combine to result in pricing pressures and lower utilization of equipment. The continued decline during this period of natural gas prices significantly impacted the level of activity in the energy sector. The fixed components relating to equipment leases and facilities rent further affect the margins negatively when revenues are at a reduced level. The

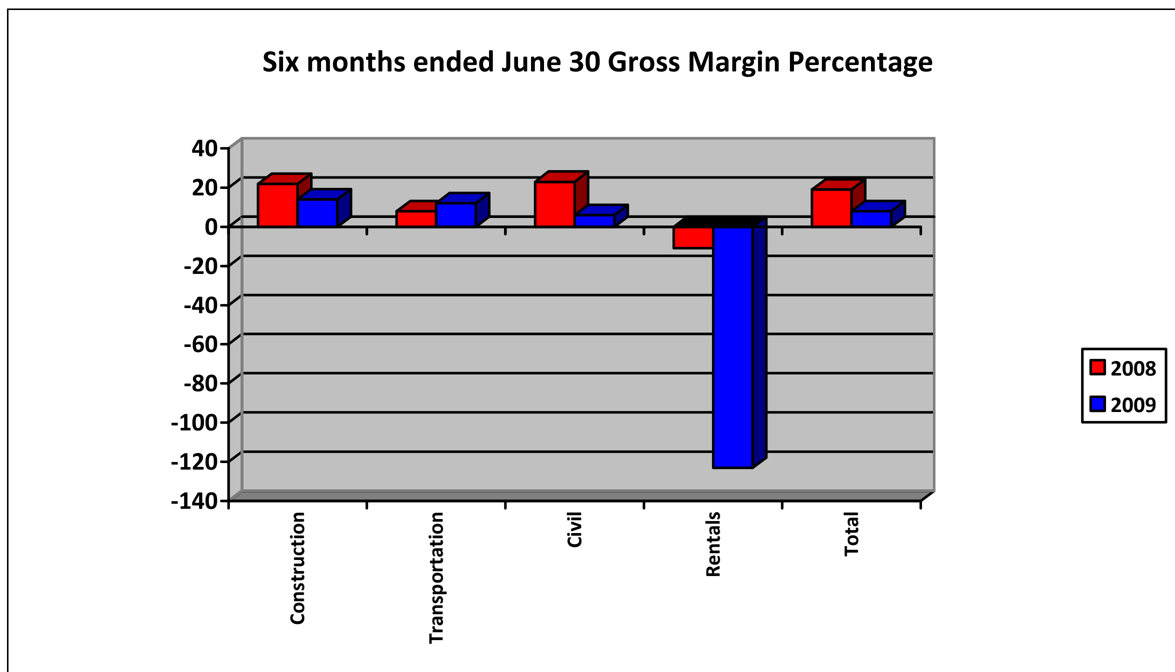
reduced price of fuel is improving margins but not at a level sufficient to significantly mitigate the other factors reducing the margins.

The Construction segment Gross Margin decreased 27% for the three months ended June 30, 2009 over the comparable period in 2008. This decrease is primarily related to the fixed amount of equipment and facilities rent which is spread over a smaller revenue base. The fixed component structure relating to these costs, combined with the decreased revenue, affected margins significantly so as to mitigate any of the benefits associated with lower repair and maintenance costs and fuel as a percentage of revenue.

The Transportation segment Gross Margin decreased 3% for the three months ended June 30, 2009 over the comparable period in 2008. If inter-segment revenues and expenses were not eliminated on consolidation, the Gross Margin for the Transportation segment would have increased 3% compared to 2008. Typically the Transportation segment provides services to other segments on a net basis. The Discontinued Operation had a negative margin of $1.1 million which would have brought the margin in the Transportation segment to negative 42% if included.

The Civil segment Gross Margin for the second quarter of 2009 decreased 24% over the comparable period of 2008. The significant drop in margin for the Civil segment was comprised of various factors. The fixed components relating to equipment leases and facilities rent comprised a portion of this decrease when combined with the 36% decrease in revenue quarter over quarter. The other factors related to downward pricing pressure as a result of increased competition in the industry. Typically the Civil segment uses inter-segment services with the expenses being eliminated on consolidation which results in a higher margin on a consolidated basis. If the inter-segment revenues and expenses were not eliminated on consolidation the Gross Margin for the Civil segment would have decreased by 28% compared to 2008.

The Rentals segment Gross Margin for the second quarter of 2009 decreased 198% over the comparable period in 2008. Typically the Rentals segment provides inter-segment services with the revenues being eliminated on consolidation which results in a lower margin on a consolidated basis. If the inter-segment revenues and expenses were not eliminated on consolidation the Gross Margin for the Rentals segment would have decreased by 57% compared to 2008.



(thousands of dollars except percentages)	**Operating expenses for the six months ended June 30, 2009**	**Operating expenses as a % of revenue**	**Gross Margin Percentage**	Operating expenses for for the six months ended June 30, 2008	Operating expenses as a % of revenue	Gross Margin Percentage
Construction segment	**21,048**	**86%**	**14%**	26,405	78%	22%
Transportation segment	**9,690**	**88%**	**12%**	13,847	92%	8%
Civil segment	**17,648**	**94%**	**6%**	26,018	77%	23%
Rentals segment	**2,176**	**223%**	**(123)%**	2,331	111%	(11)%
	50,562	**92%**	**8%**	68,601	81%	19%

Consolidated operating expenses for the six months ended June 30, 2009 were $50.6 million (2008 - $68.6 million) with a Gross Margin of 8% compared to 19% for the same period in 2008. The major costs incurred for equipment owned by the Trust are labour, fuel, equipment leases and repairs and maintenance. The other significant operating expenses relate to the payments to subcontractors. Margins continued to be under pressure as a result of increasing costs associated with the operation of the Trust’s equipment and significantly lower activity levels in the oil and gas sector, all of which combine to result in pricing pressures and lower utilization of equipment. The fixed components relating to equipment leases and facilities rent further affect the margins negatively when revenues are at a reduced level. The reduced price of fuel is improving margins but not at a level sufficient to significantly mitigate the other factors reducing the margins.

The Construction segment Gross Margin decreased 8% for the six months ended June 30, 2009 over the comparable period in 2008.

The Transportation segment Gross Margin increased by 4% for the six months ended June 30, 2009 over the comparable period in 2008.

The Civil segment Gross Margin for the six month ended June 30, 2009 decreased 17% over the comparable period of 2008.

The Rentals segment Gross Margin for the second quarter of 2009 decreased 112% over the comparable period in 2008. This is primarily due to the large percentage of revenue for the segment being eliminated on consolidation combined with the fixed cost structure of the segment.

GENERAL AND ADMINISTRATIVE

On a percentage of revenue basis, general and administrative costs were approximately 8.3% of revenue in the second quarter of 2009 compared to 5.2% in the second quarter of 2008. General and administrative costs were higher as a percentage of revenue but lower on a dollar basis of $1.4 million compared to $1.7 million in the comparable period of 2008.

For the six month period ended June 30, 2009 and 2008 the general and administrative costs were 5.9% and 4.4% of revenue respectively. General and administrative costs for the year were higher as a percentage of revenue but lower on a dollar basis of $3.3 million compared to $3.8 million in the comparable period of 2008. Management of the Trust continues to review the fixed cost structure to reduce costs through the consolidation of management and operating functions within specific segments.

The Trust has initiated significant reductions of general and administrative expenses during the first six months of 2009. These reductions are related to reduced head count, consolidation of businesses and general streamlining of administrative functions to improve efficiencies.

AMORTIZATION

Amortization of property and equipment for the three months ended June 30, 2009 was $5.3 million compared to $6.4 million in the comparable period of 2008. 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 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 six months ended June 30, 2009 was $10.3 million compared to $12.8 million. The decrease was due to factors mentioned above.

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 $6.2 million was recorded in the 2008, which reduced the carrying value of intangible assets, reducing the base for amortization in 2009. Amortization of intangibles for the three month period ended June 30, 2009 was $1.0 million (2008 - $1.2 million). Intangible assets amortization for the six month ended June 30, 2009 was $2.0 million ($2.4 million). On June 30, 2009 the Trust recorded an impairment of $1.1 million for intangible assets which will further reduce amortization in future periods.

INTEREST

Interest expense for the three months ended June 30, 2009 was $1.3 million compared to $1.5 million in the comparable period of 2008. The reasons relating to this decrease are a decrease in the revolving bank term loan balance and a decrease in the prime based lending rate.

Interest expense for the six months ended June 30, 2009 was $2.3 million compared to $3.4 million, the reason for the decrease is the same as for the three month period.

IMPAIRMENT OF GOODWILL

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

During 2008 and 2009, the most significant event affecting the Canadian economy was the global economic and financial crisis. This crisis has resulted in reduced liquidity in the financial markets and caused lower commodity pricing. There have been significant reductions in capital spending of 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. 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.

IMPAIRMENT OF INTANGIBLE ASSETS

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.

INCOME TAXES

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

The impairment of intangible assets and property and equipment in 2009 reduced the Trust's expected future income tax liability and expense. Goodwill impairment has no tax consequences and therefore does not affect the Trust's provision for future income taxes.

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 $10.0 million and recorded a loss on disposal of $1.0 million under discontinued operations. 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.

Discontinued Operations, for the three months ended June 30, 2009 reported a loss of $2.2 million compared to a loss of $1.6 million for 2008. This represents a net loss per unit from discontinued operations of $0.07 and $0.05 respectively, basic and fully diluted.

Discontinued Operations for the six months ended June 30, 2009 reported a loss of $7.5 million compared to a loss of $1.3 million for 2008. This represents a net loss per unit from discontinued operations of $0.23 and $0.04 respectively,

basic and fully diluted. As at March 31, 2009, the Trust provided for an impairment of $4.5 million related to the rig mobilization and demobilization assets from the Transportation segment. 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. The measurement of the impairment was assessed as the amount by which the carrying amount of an asset exceeded its estimated fair market value.

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)

NET LOSS AND COMPREHENSIVE LOSS

Net loss and comprehensive loss for the three months ended June 30, 2009 was $48.6 million compared to $11.2 million for 2008. This represents a net loss per unit of $1.48 and $0.34 respectively, basic and fully diluted.

Net loss and comprehensive loss for the six months ended June 30, 2009 was $53.3 million compared to $10.8 million for 2008. This represents a net loss per unit of $1.62 and $0.33 respectively, basic and fully diluted.

For the three month period ended June 30, 2009 the net loss and comprehensive loss from continuing operations was $46.5 million compared to $9.6 million in 2008. This represents a net loss per unit of $1.41 and $0.29 respectively, basic and fully diluted.

For the six month period ended June 30, 2009 the net loss and comprehensive loss from continuing operations was $45.8 million compared to $9.6 million in 2008. This represents a net loss per unit of $1.39 and $0.29 respectively, basic and fully diluted.

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 interim 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 six months ended **June 30, 2009**	June 30, 2008	Cumulative from inception of Trust July 6, 2006
Cash provided from (used in) operating activities	**7,396**[(1)]	293[(1)]	50,267
Less adjustments for:			
Capital expenditures, net	**(1,343)**[(2)]	5,175[(2)]	39,575
Restrictive bank covenants	**-**	-	-
Standardized distributable cash	**8,739**[(3)]	(4,882)	10,692
Distributions declared	**-**	-	37,964
Standardized distributable cash payout ratio	**N/A**	N/A	3.55
Standardized distributable cash per unit – Basic	**0.27**	(0.15)	0.34
Standardized distributable cash per unit – Diluted	**0.25**	(0.15)	0.32

[(1)] includes $116 from Discontinued Operations (2008 – $1,789)
[(2)] includes $(5,794) from net proceeds on sale of Discontinued Operations (2008 – $923)
[(3)] Discontinued Operations represents $5.9 million related primarily to the sale of assets

The starting point for the calculation of Standardized Distributable Cash is “cash provided from 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 six months ended June 30, 2009, as there were no distributions declared during this period. The Standardized Distributable Cash for the six months ended June 30, 2009 incorporated approximately $9.7 million of non-cash working capital items for the period, consisting primarily of an decrease in accounts receivable of $18.9 million and a decrease in accounts payable of $9.5 million. Discontinued Operations contributed approximately $2.9 million and $2.4 million of these amounts respectively. The cumulative balance of Standardized Distributable Cash since inception of the Trust is $10.7 million compared to a $2.0 million as at the year ended December 31, 2008.

Adjusted Distribution Base

(thousands, except per unit amounts and ratios)	For the six months ended **June 30, 2009**	June 30, 2008	Cumulative from Inception of Trust July 6, 2006
Standardized distributable cash (shortfall)	**8,739**	(4,882)	10,692
Adjusted for:			
Growth capital expenditures	**450**	4,041	36,032
Changes in accounts receivable	**(18,905)**	3,057	(21,050)
Changes in prepaid expenses	**378**	(488)	(1,550)
Changes in inventory	**(644)**	(336)	200
Changes in accounts payable and accrued liabilities	**9,493**	6,713	28,821
Adjusted Distribution Base	**(489)**	8,105	53,145
Distributions declared	**-**	-	37,964
Surplus (deficit) of adjusted distribution base over distributions	**(489)**	8,105	15,181
Adjusted distribution payout ratio	**N/A**	N/A	0.71
Adjusted distribution base per unit – basic	**(0.01)**	0.24	1.67
Adjusted distribution base per unit - diluted	**(0.01)**	0.24	1.57

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

In the first six months of 2009 the majority of the capital expenditures have been maintenance related with approximately $0.5 million relating to growth.

Since inception of the Trust, there has been a surplus of $15.2 million resulting from the excess of the Adjusted Distribution Base over distributions declared. This surplus is a decrease of $0.5 million over the surplus of $15.7 million at the year ended December 31, 2008.

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. Pursuant to the amended credit facility (see "*Revolving Bank Term Loan*") the Trust is prohibited from reinstating distributions without the written consent of the lending syndicate.

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 lends to significant doubt as to the ability of the Trust to meet its obligations, without obtaining alternative sources of financing and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The consolidated 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.

ENTITY SPECIFIC ADJUSTMENTS

Seasonal Impacts on Cash Flow

The Trust strives to fund operations 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 credit facility comprised of a syndicated revolving term credit facility and a working capital facility in part to finance the cyclical nature of its operations. This credit facility is utilized to fund distributions (not currently making 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 had been growth related through the Civil segment which increased capacity and through acquisition of businesses. 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.

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. Approximately $82.7 million of capital assets were acquired in 2006 with the initial public offering which comprised nine companies. In 2007 an additional $42.0 million of capital assets were acquired with the acquisition of five more companies, which also expanded the geographical footprint of the Trust and opened new markets for the Trust's services. The 2007 acquisitions were financed with debt and the issuance of Units of the Trust.

WORKING CAPITAL

	As at June 30, 2009			
(thousands of dollars)	**Continuing Operations**	**Discontinued Operations**	**Total**	As at December 31, 2008
Cash (bank overdraft)	**(4,792)**	**-**	**(4,792)**	2,348
Accounts receivable	**28,320**	**536**	**28,856**	47,761
Prepaid expenses and other	**1,444**	**130**	**1,574**	1,196
Inventory	**4,832**	**-**	**4,832**	5,476
Accounts payable and accrued liabilities	**(8,781)**	**(81)**	**(8,862)**	(18,355)
Current portion of revolving bank term loan	**(67,950)**	**-**	**(67,950)**	(83,500)
Current portion of obligations under capital leases	**(600)**	**-**	**(600)**	(661)
Working capital	**(47,527)**	**585**	**(46,942)**	(45,735)
(Cash) bank overdraft	**4,792**	**-**	**4,792**	(2,348)
Current portion of revolving bank term loan	**67,950**	**-**	**67,950**	83,500
Adjusted working capital	**25,215**	**585**	**25,800**	35,417

Working capital as at June 30, 2009 was $1.2 million less than working capital as at December 31, 2008. During the first six months of 2009 there was a reduction in the revolving bank term loan of $8.4 million, net of cash/bank overdraft. After adjusting working capital for the revolving bank term loan, bank overdraft and cash, there is a decrease of $9.6 million. The major changes during this six month period were a decrease in accounts receivable of $18.9 million and a decrease in accounts payable and accrued liabilities of $9.5 million.

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 of 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’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 June 30, 2009 is 2.47 to 1.
- Funded debt to four quarter’s trailing proforma EBITDA ratio of not greater than 2.5 to 1. The Trust’s ratio at June 30, 2009 is 3.61 to 1.
- Fixed charge coverage of not less than 1 to 1. The Trust’s ratio at June 30, 2009 is 0.96 to 1.
- Funded debt to capitalization of not more than 0.50 to 1. The Trust’s ratio at June 30, 2009 is 0.67 to 1.

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. Petrowest’s future contractual commitments are summarized in the table below. It is management’s view that lease commitments can be satisfied from cash flows from operations.

CONTRACTUAL OBLIGATIONS

	As at June 30, 2009				
(thousands of dollars)	< 1 year	1 – 3 Years	4 – 6 Years	Thereafter	Total
Bank overdraft	4,792	-	-	-	4,792
Revolving bank term loan	67,950	-	-	-	67,950
Obligations under capital leases	600	606	-	-	1,206
Operating leases on equipment	8,173	4,615	-	-	12,788
Operating leases on offices, shop and yards	2,896	4,473	2,028	1,070	10,467
TOTAL	84,411	9,694	2,028	1,070	97,203

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. On August 12, 2009 there were 32,946,308 units outstanding.

	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.

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

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.

CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICIES

Critical Accounting Estimates

The unaudited interim consolidated financial statements for the three months ended March 31, 2009 have been prepared in accordance with the accounting policies described in the notes to the unaudited 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.

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

Recent Accounting Pronouncements

In February 2008, the Canadian Accounting Standards Board (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. Our project consists of three phases: Phase 1 – diagnose; Phase 2 – develop; and Phase 3 – implement. We have completed the diagnose phase, which involved a high level review of the major differences between current Canadian GAAP and IFRS. Currently, we have determined that the areas of accounting difference with the highest potential to impact our company are accounting for property, plant and equipment, impairment testing, business combinations, first time adoption of IFRS, and disclosures. We are currently engaged in the development phase of our project. We are working in issue-specific teams to focus on generating options and making recommendations in the identified areas. An IFRS implementation committee has been setup which consists of senior levels of management from finance, information technology, and operations. Regular feedback is provided to our senior executive management and the audit committee of our Board of Directors. We are also engaged in ongoing discussions with our external auditors. The impact of disclosure controls and internal controls over financial reporting will also be determined.

The changeover plan will be updated in the latter half of 2009 to incorporate new and amended IFRS accounting standards. Due to significant changes anticipated in key elements of IFRS before 2011, the impact of IFRS on the Trust's consolidated financial statements is not reasonably determinable at this time.

SUMMARY OF QUARTERLY RESULTS

	2009		2008				2007	
(thousands of dollars except per unit amounts)	Jun.30	Mar.31	Dec. 31	Sep. 30	Jun. 30	Mar.31	Dec.31	Sept.30
Revenue by segment								
Construction	5,563	18,888	26,490	24,915	9,552	24,091	20,518	21,402
Transportation	2,616	8,415	8,492	5,679	4,928	10,134	8,495	8,618
Civil	8,526	10,156	16,019	21,184	17,567	16,231	12,617	16,316
Rentals	298	678	1,236	1,684	787	1,313	988	2,124
Corporate	-	-	1	4	-	-	5	-
Total revenue	17,003	38,137	52,238	53,466	32,834	51,769	42,623	48,460
Operating expenses by segment								
Construction	6,932	14,116	18,616	17,974	9,372	17,033	14,681	14,820
Transportation	2,751	6,939	8,108	5,536	5,029	8,818	7,118	6,856
Civil	8,324	9,324	12,050	15,344	12,968	13,050	11,164	11,901
Rentals	1,058	1,118	1,231	1,210	1,235	1,096	1,273	1,506
Total operating expenses	19,065	31,497	40,005	40,064	28,604	39,997	34,236	35,083
Administrative expenses	1,409	1,848	2,218	2,534	1,698	2,054	1,541	379
EBITDA [1]	(3,471)	4,792	10,015	10,868	2,532	9,718	6,846	12,998
Gain (loss) on disposal of assets	-	(19)	(24)	(37)	(2,097)	(38)	(644)	(299)
Interest income	-	2	-	-	34	(24)	(53)	47
Net earnings (loss) before other items	(3,471)	4,775	9,991	10,831	469	9,656	6,149	12,746
Future income tax (recovery) expense	(6)	(2,935)	4,133	(1,621)	(934)	117	(1,461)	(467)
Amortization of property and equipment	5,261	5,022	6,677	6,330	6,405	6,361	7,679	7,747
Amortization of intangible assets	984	973	1,105	1,106	1,210	1,211	2,438	2,445
Impairment of goodwill and intangible assets	35,446	-	19,397	-	1,874	-	69,240	-
Impairment of property and equipment	-	-	-	-	-	-	-	-
Interest	1,312	1,027	1,777	1,472	1,509	1,935	2,211	1,580
Net earnings (loss) from continuing operations	(46,468)	688	(23,098)	3,544	(9,595)	32	(73,958)	1,441
Discontinued operations	(2,170)	(5,334)	(1,416)	(768)	(1,628)	353	(39,690)	(1,570)
Net earnings (loss)	(48,638)	(4,646)	(24,514)	2,776	(11,223)	385	(113,648)	(129)
Net earnings (loss) per unit basic and diluted from continuing operations	**($1.41)**	**$0.02**	**($0.70)**	**$0.11**	**($0.29)**	**$0.00**	**($2.22)**	**$0.04**
Net earnings (loss) per unit basic and diluted from discontinued operations	**($0.07)**	**($0.16)**	**($0.04)**	**($0.03)**	**($0.05)**	**$0.01**	**($1.20)**	**($0.04)**
Net earnings (loss) per unit basic and diluted	**($1.48)**	**($0.14)**	**($0.74)**	**$0.08**	**($0.34)**	**$0.01**	**($3.42)**	**($0.00)**

[1] See *"Non-GAAP Measures"*

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 2008 annual MD&A both of which are available at www.sedar.com and on the Trust's website at www.petro-west.com.

DISCLOSURE AND INTERNAL CONTROLS

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in annual filings, interim filings or other reports under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. 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 establishing and maintaining disclosure controls and procedures and internal controls over financial reporting. There were no changes in the Trust's internal control over financial reporting during the second quarter of 2009 that have materially affected or are reasonable likely to materially affect the Trust's 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.

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 interim 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.*