Petrowest Energy Services Trust

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2009

Notice to Reader: These unaudited financial statements have not been reviewed by the Trust's auditors

Petrowest Energy Services Trust
Consolidated Balance Sheets
(Unaudited)

(In thousands of dollars)	As at September 30, 2009	As at December 31, 2008
Assets		
Current assets		
Cash and cash equivalents	**-**	2,348
Accounts receivable	**33,268**	44,306
Prepaid expenses and other	**2,750**	1,083
Inventory	**4,426**	4,495
Assets related to discontinued operations (note 18)	**194**	4,549
	40,638	56,781
Property and equipment (note 6)	**71,610**	87,636
Intangible assets (note 7)	**9,415**	13,402
Goodwill (note 8)	**-**	34,321
Future income taxes (note 13)	**3,587**	727
Discontinued assets held for sale (note 18)	**-**	11,880
	125,250	204,747
Liabilities		
Current liabilities		
Bank overdraft	**3,557**	-
Accounts payable and accrued liabilities	**12,743**	15,918
Revolving bank term loan (note 9)	**67,950**	83,500
Current portion of obligations under capital leases	**573**	651
Liabilities related to discontinued operations (note 18)	**169**	2,447
	84,992	102,516
Obligations under capital leases	**461**	874
Future income taxes (note 13)	**5,856**	12,463
	91,309	115,853
Unitholders' Equity		
Units (note 10)	**292,498**	292,492
Contributed surplus (note 11)	**922**	635
Accumulated loss	**(221,516)**	(166,270)
Accumulated distributions to unitholders	**(37,963)**	(37,963)
	33,941	88,894
	125,250	204,747

Going concern (note 2)
See accompanying notes to the consolidated financial statements

Petrowest Energy Services Trust
Consolidated Statements of Earnings (Loss), Comprehensive Income (Loss) and Accumulated Loss

(Unaudited)

	Three months ended September 30		Nine months ended September 30	
(In thousands of dollars, except per unit amounts)	**2009**	2008	**2009**	2008
Revenue	**32,138**	53,467	**87,277**	138,071
Expenses				
Operating expenses	**25,724**	40,063	**76,286**	108,664
General and administrative	**2,230**	2,534	**5,487**	6,286
Interest	**1,269**	1,472	**3,608**	4,916
Amortization of property and equipment	**5,361**	6,330	**15,644**	19,096
Amortization of intangible assets	**904**	1,106	**2,861**	3,527
Impairment of property and equipment (note 6)	**5,301**	-	**5,301**	-
Impairment of goodwill and intangible assets (notes 7 and 8)	**-**	-	**35,446**	1,874
	40,789	51,505	**144,633**	144,363
	(8,651)	1,962	**(57,356)**	(6,292)
Other income (loss)				
Gain (loss) on disposal of property and equipment	**175**	(37)	**156**	(2,172)
Interest and other income	**73**	-	**75**	10
Net earnings (loss) and comprehensive income (loss) before taxes	**(8,403)**	1,925	**(57,125)**	(8,454)
Future income tax recovery (note 13)	**(6,526)**	(1,621)	**(9,467)**	(2,437)
Net earnings (loss) and comprehensive income (loss) from continuing operations	**(1,877)**	3,546	**(47,658)**	(6,017)
Discontinued operations, net of tax (note 18)	**(85)**	(770)	**(7,588)**	(2,045)
Net earnings (loss) and comprehensive income (loss) for the period	**(1,962)**	2,776	**(55,246)**	(8,062)
Accumulated loss - beginning of period	**(219,554)**	(144,532)	**(166,270)**	(133,694)
Accumulated loss - end of period	**(221,516)**	(141,756)	**(221,516)**	(141,756)
Net earnings (loss) per unit (note 10)				
-basic and diluted from continuing operations	**$(0.06)**	$0.11	**$(1.45)**	$(0.18)
-basic and diluted from discontinued operations	**(0.00)**	(0.03)	**(0.23)**	(0.06)
-basic and diluted	**(0.06)**	0.08	**(1.68)**	(0.24)

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 September 30		Nine months ended September 30	
(In thousands of dollars)	**2009**	2008	**2009**	2008
Cash provided by (used in)				
Operating activities				
Net earnings (loss) from continuing operations	**(1,877)**	3,546	**(47,658)**	(6,017)
Items not affecting cash				
Amortization of property and equipment	**5,361**	6,330	**15,644**	19,096
Amortization of intangible assets	**904**	1,106	**2,861**	3,527
Impairment of property and equipment (note 6)	**5,301**	-	**5,301**	-
Impairment of goodwill and intangible assets (notes 7 and 8)	**-**	-	**35,446**	1,874
Unit-based compensation expense (note 12)	**147**	189	**287**	332
Units issued for service	**-**	-	**6**	-
Future income tax recovery	**(6,526)**	(1,621)	**(9,467)**	(2,437)
(Gain) loss on disposal of property and equipment	**(175)**	37	**(156)**	2,172
	3,135	9,587	**2,264**	18,547
Changes in non-cash working capital				
Accounts receivable	**(4,948)**	(14,533)	**11,038**	(15,397)
Prepaid expenses and other	**(1,306)**	(144)	**(1,667)**	584
Inventory	**406**	(1,007)	**69**	258
Accounts payable and accrued liabilities	**3,962**	876	**(3,175)**	(7,130)
	1,249	(5,221)	**8,529**	(3,138)
Financing activities				
Unitholder distributions	**-**	-	**-**	(953)
Repayment of capital lease obligations	**(172)**	(162)	**(491)**	(500)
Proceeds from revolving term bank loan	**-**	-	**-**	5,000
Repayment of revolving term bank loan	**-**	-	**(15,550)**	-
	(172)	(162)	**(16,041)**	3,547
Investing activities				
Purchase of property and equipment	**(629)**	(2,700)	**(5,164)**	(9,683)
Proceeds on property and equipment disposals	**322**	(8)	**406**	2,722
Purchase price adjustment	**-**	-	**-**	(25)
	(307)	(2,708)	**(4,758)**	(6,986)
Net change in cash from continuing operations	**770**	(8,091)	**(12,270)**	(6,577)
Cash flow from discontinued operations				
Operating activities	**465**	2,535	**581**	746
Financing activities	**-**	(3)	**(10)**	(8)
Investing activities	**-**	122	**5,794**	(801)
Net change in cash from discontinued operations	**465**	2,654	**6,365**	(63)
Increase (decrease) in cash and cash equivalents	**1,235**	(5,437)	**(5,905)**	(6,640)
Cash and cash equivalents (bank overdraft), beginning of period	**(4,792)**	(988)	**2,348**	215
Cash and cash equivalents (bank overdraft), end of period	**(3,557)**	(6,425)	**(3,557)**	(6,425)
Supplementary cash flow information				
Interest paid	**1,264**	1,592	**3,890**	5,091
Non cash transactions				
Property and equipment financed by capital leases	**-**	294	**-**	887

Going concern (note 2)

See accompanying notes to the consolidated financial statements.

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 obtained waivers from the bank syndicate of the "funded debt to EBITDA ratio", "fixed charge coverage ratio" and "funded debt to capitalization ratio" financial covenants contained in the credit facility. In addition, the Trust obtained a deferral of the $4.75 million scheduled reduction and cancellation of commitment which was to take effect September 30, 2009 and reduce the total commitment from $75.5 million to $70.8 million. Both the waivers and the deferral were effective until October 30, 2009. The Trust has submitted a formal request to the banking syndicate to extend the above waivers and deferral to December 14, 2009 and is currently in discussions with the banking syndicate. The Trust is also in discussions with the banking syndicate with respect to amending the existing credit facility. If the discussions are not successful then a future covenant default or further reduction and cancellation of the total commitment 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 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.

In December 2008, the Canadian Institute of Chartered Accountants ("CICA") issued section 1582, *"Business Combinations"* which will replace section 1581. Under this new guidance, the purchase price used is based on the fair value as of the date of acquisition. The new guidance generally requires all acquisition costs to be expensed, rather than the current practice of capitalizing them as part of the purchase price; contingent liabilities including contingent considerations are to be recognized at fair value at the acquisition date and revalued at fair value with the change flowing through earnings until settled. Negative goodwill is required to be recognized immediately into earnings, unlike the current requirement to eliminate it by deducting it from non-current assets in the purchase price allocation. Entities adopting section 1582 will also be required to adopt section 1601 *"Consolidated Financial Statement"* and section 1602 *"Non-Controlling Interests"*. Sections 1601 and 1602 may require a change in the measurement of non-controlling interest and will require the change to be presented as part of unitholders' equity on the balance sheet. These three standards will be effective January 1, 2011 and the adoption of these standards is not anticipated to have a material impact on the Trust's financial statements.

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 Impairment of Property and Equipment

Continuing Operations

Management of the Trust assesses the carrying amount of property and equipment for impairment when certain events or changes in circumstances indicate that the carrying amount may not be recoverable. In these circumstances, an impairment loss is recognized for the amount by which the carrying amount exceeds fair value. Management assessed the carrying amount of property and equipment as at September 30, 2009 as a result of significant decreases in the market price of similar property and equipment.

The first step in determining whether there is an impairment is a comparison of the carrying amount of the assets to the sum of the undiscounted cash flows related to the use of the assets. Where the carrying amount of the assets exceeded the undiscounted cash flows, this was an indication to management of an impairment.

The amount of the impairment loss is measured by the amount by which the carrying amount of the asset exceeds its fair value. Fair value is then determined to be the amount an asset could be bought or sold in a current transaction between willing parties, other than a forced or liquidation sale. Management has determined fair value utilizing an externally prepared appraisal report as the basis for calculating fair values.

As a result of the above, management has recorded an impairment of property and equipment as at September 30, 2009 in the amount $5.3 million, with $4.8 million relating to the Construction segment and $0.5 million to the Rentals segment.

Discontinued Operations

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 September 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.

7 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 the Construction segment and $0.2 million in the Rentals segment. 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.

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

8 Goodwill Impairment

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

	September 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 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.

9 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 $4.75 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.

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

The amount of the committed credit facility as at September 30, 2009 was $75.5 million, a reduction of $19.5 million during the first nine 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 obtained waivers from the bank syndicate of the “funded debt to EBITDA ratio”, “fixed charge coverage ratio” and “funded debt to capitalization ratio” financial covenants contained in the credit facility. In addition, the Trust obtained a deferral of the $4.75 million scheduled reduction and cancellation of commitment which was to take effect September 30, 2009 and reduce the total commitment from $75.5 million to $70.8 million. Both the waivers and the deferral were effective until October 30, 2009. The Trust has submitted a formal request to the banking syndicate to extend the above waivers and deferral to December 14, 2009 and is currently in discussions with the banking syndicate. The Trust is also in discussions with the banking syndicate with respect to amending the existing credit facility. If the discussions are not successful then a future covenant default or further reduction and cancellation of the total commitment could result in the demand for repayment of the current outstanding advances on the credit facility.

10 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 September 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	**32,946,308**		33,159,077	
Weighted average units for period – diluted	**35,422,911**		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 September 30, 2009, there was a balance of $2,095,000 outstanding related to promissory notes, net of repayments.

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

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 were released as to 25% on the first anniversary date of the acquisition and the remaining 75% on the second anniversary date. All escrowed units have now been released.

11 Contributed Surplus

Continuity of contributed surplus:

	As at September 30, 2009	As at December 31, 2008
Balance – beginning of period	**635**	-
Unit based compensation expense	**287**	15
Value assigned to expired warrants	**-**	270
Redemption of subordinated units below carrying value	**-**	350
Balance – end of period	**922**	635

12 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 and nine months ended September 30, 2009 were 9,599 and 142,700 respectively (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 are 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.

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

The effect on the consolidated financial statements for the three and nine months ended September 30, 2009 is approximately $147,177 (2008 - $170,601) and $300,138 (2008 - $313,497) respectively of unit based compensation expense.

13 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 September 30, 2009	As at December 31, 2008
Future income tax assets		
Non Capital Loss	**2,853**	-
Trust unit issue costs	**627**	699
Unit based compensation	**107**	28
	3,587	727
Future income tax liabilities		
Property and equipment	**4,961**	10,935
Intangible assets	**895**	1,528
	5,856	12,463

14 Related Party Transactions

Petrowest paid rent, supplies, and services for the three and nine months ended September 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 $539,148 (2008 - $993,227) and $2,195,139 (2008 - $2,144,112) respectively. Transactions were recorded at the exchange amount which is estimated to approximate fair market value. The Trust has payables of $187,975 (2008 - $216,381) and receivables of $nil (2008 – $55,628) related to services provided to and from certain former owners of businesses acquired.

15 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.

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

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.

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 September 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. Three customers account for approximately 35% (13%, 11%, and 11%) of the Trust's consolidated operating revenue for the nine months ended September 30, 2009. Two customers accounts for approximately 27% (15% and 12%) of the Trust's accounts receivable balance as at September 30, 2009.

	Continuing Operations	Discontinued Operations	Total
0-30 days	12,310	6	12,316
30-61 days	8,513	-	8,513
61-90 days	3,830	-	3,830
Over 90 days	8,615	116	8,731
	33,268	122	33,390

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

Included in the accounts receivable over 90 days is a provision for doubtful accounts in the amount $469,336. 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	(347)
Recovery of provision	254
Receivables written off	124
Closing balance – September 30, 2009	(469)

(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	3,557	-	-	3,557
Accounts payable and accrued Liabilities	12,743	-	-	12,743
Obligations under capital leases	573	461	-	1,034
Revolving bank term loan	67,950	-	-	67,950
	84,823	461	-	85,284

See Notes 2 and 9 for details on risk regarding the credit facility.

16 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 September 30, 2009 the Net Debt had decreased $10.1 million during the first nine months of 2009. However, the Capitalization had decreased $65.1 million during the same period, primarily as a result of the non-cash impairment of goodwill and intangibles of $35.4 million recorded in the second quarter of 2009 and non-cash impairment of property and equipment of $5.3 million recorded in the third quarter of 2009, losses from operations (including discontinued operations) of approximately $14.5 million (excluding impairment of goodwill, intangibles, and property and equipment) and the reduction in Net Debt. If the non-cash impairment charge of $40.7 million is not factored into this calculation the Net Debt to Total Capitalization would be 49.3%. The Trust intends on establishing new targets when the credit facility is restructured.

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

	As at September 30, 2009	As at December 31, 2008
Revolving bank term loan	**67,950**	83,500
Obligations under capital leases	**1,034**	1,525
Add (less) cash and cash equivalents/bank overdraft	**3,557**	(2,348)
	72,541	82,677
Unitholders' Equity	**33,941**	88,894
Total Capitalization	**106,482**	171,571
Net Debt to Total Capitalization	**68.1%**	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 September 30, 2009 was $75.5 million, a reduction of $19.5 million during the first nine 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.

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

17 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 September 30, 2009

	Construction	Transportation	Civil	Rentals	Discontinued Operations	Corporate	Total
Total revenue	15,402	6,310	12,931	1,323	29	-	35,995
Less inter-segment revenue	(1,206)	(1,856)	(3)	(763)	-	-	(3,828)
Revenue	14,196	4,454	12,928	560	29	-	32,167
Operating and general and administrative	10,556	4,837	9,196	1,135	114	2,230	28,068
Interest expense	342	90	382	70	-	385	1,269
Interest income	(72)	(1)	-	-	-	-	(73)
(Gain) Loss on disposal of equipment	-	-	(175)	-		-	(175)
Amortization	2,890	797	1,821	687	-	70	6,265
Asset impairment	4,786	-	-	515	-	-	5,301
Future income taxes	-	-	-	-	-	(6,526)	(6,526)
Net earnings (loss)	(4,306)	(1,269)	1,704	(1,847)	(85)	3,841	(1,962)
Capital expenditures	263	157	147	62	-	-	629

For the three months ended September 30, 2008

	Construction	Transportation	Civil	Rentals	Discontinued Operations	Corporate	Total
Total revenue	27,337	6,916	21,262	2,558	5,461	4	63,538
Less inter-segment revenue	(2,422)	(1,236)	(78)	(874)	(123)	-	(4,733)
Revenue	24,915	5,680	21,184	1,684	5,338	4	58,805
Operating and general and administrative	17,974	5,535	15,344	1,210	5,207	2,534	47,804
Interest expense	532	147	635	125	147	33	1,619
Interest income	-	-	-	-	-	-	-
(Gain) Loss on disposal of equipment	37	-	-	-	(5)	-	32
Amortization	3,632	842	2,031	831	759	100	8,195
Asset impairment	-	-	-	-	-	-	-
Future income taxes	-	-	-	-	-	(1,621)	(1,621)
Net earnings (loss)	2,740	(844)	3,174	(482)	(770)	(1,042)	2,776
Capital expenditures	1,158	650	801	80	(102)	10	2,597

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

For the nine months ended September 30, 2009

	Construction	Transportation	Civil	Rentals	Discontinued Operations	Corporate	Total
Total revenue	41,998	19,003	31,616	3,471	5,172	-	101,260
Less inter-segment revenue	(3,351)	(3,519)	(6)	(1,935)	(95)	-	(8,906)
Revenue	38,647	15,484	31,610	1,536	5,077	-	92,354
Operating and general and administrative	31,604	14,527	26,844	3,311	6,442	5,487	88,215
Interest expense	1,100	341	1,112	222	131	833	3,739
Interest income	(72)	(1)	-	-	-	(2)	(75)
(Gain) Loss on disposal of equipment	-	26	(182)	-	1,006	-	850
Amortization	8,640	2,366	5,245	2,045	586	209	19,091
Asset impairment	17,673	4,510	14,951	3,613	4,500	-	45,247
Future income taxes	-	-	-	-	-	(9,467)	(9,467)
Net earnings (loss)	(20,298)	(6,285)	(16,360)	(7,655)	(7,588)	2,940	(55,246)
Capital expenditures	2,150	593	1,801	583	3,232	37	8,396

For the nine months ended September 30, 2008

	Construction	Transportation	Civil	Rentals	Discontinued Operations	Corporate	Total
Total revenue	64,347	24,457	55,191	5,359	15,142	-	164,500
Less inter-segment revenue	(5,789)	(3,715)	(208)	(1,575)	(240)	4	(11,527)
Revenue	58,558	20,742	54,983	3,784	14,902	4	152,973
Operating and general and administrative	44,379	19,382	41,362	3,541	14,489	6,286	129,439
Interest expense	632	164	686	127	149	3,307	5,065
Interest income	(2)	-	-	(2)	-	(6)	(10)
(Gain) Loss on disposal of equipment	1,640	101	310	121	80	-	2,252
Amortization	13,583	2,408	5,761	2,464	2,229	281	26,726
Asset impairment	-	-	-	-	-	-	-
Future income taxes	-	-	-	-	-	(2,437)	(2,437)
Net earnings (loss)	(1,674)	(1,313)	6,864	(2,467)	(2,045)	(7,427)	(8,062)
Capital expenditures	2,514	2,381	4,144	553	957	91	10,640

Selected balance sheet items as at September 30, 2009

	Construction	Transportation	Civil	Rentals	Discontinued Operations	Corporate	Total
Current assets	13,735	3,762	20,966	916	194	1,065	40,638
Property and equipment	27,276	9,809	23,909	9,383	-	1,233	71,610
Intangibles	3,644	859	4,423	489	-	-	9,415
Goodwill	-	-	-	-	-	-	-
Future income tax	-	-	-	-	-	3,587	3,587
Total assets	44,655	14,430	49,298	10,788	194	5,885	125,250

(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.

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.

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

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

	As at September 30, 2009	As at December 31, 2008
Current assets related to discontinued operations		
Accounts receivable	**122**	3,455
Prepaid expenses	**72**	113
Inventory	**-**	981
Total current assets related to discontinued operations	**194**	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	**169**	2,437
Current portion of obligations under capital leases	**-**	10
Total current liabilities related to discontinued operations	**169**	2,447

The following amounts have been included in the September 30, 2009 and September 30, 2008 Consolidated Statements of Net Earnings (Loss), Comprehensive Income (Loss) and Accumulated Loss are:

	Three months ended		**Nine months ended**	
	September 30, 2009	September 30, 2008	**September 30, 2009**	September 30, 2008
Revenue	**29**	5,338	**5,077**	14,902
Expenses				
Operating expenses	**114**	5,207	**6,442**	14,489
Interest	**-**	147	**131**	149
Amortization of property and equipment	**-**	742	**569**	2,179
Amortization of intangible assets	**-**	17	**17**	50
Impairment of property and equipment	**-**	-	**4,500**	-
	114	6,113	**11,659**	16,867
Operating loss	**(85)**	(775)	**(6,582)**	(1,965)
Gain/(loss) on sale of property and equipment	**-**	5	**(1,006)**	(80)
Net loss before income taxes	**(85)**	(770)	**(7,588)**	(2,045)
Income taxes (recovery)	**-**	-	**-**	-
Discontinued Operations, net of tax	**(85)**	(770)	**(7,588)**	(2,045)

19 Comparative figures

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