



Energy Services Trust

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three month period ended March 31, 2010

Petrowest Energy Services Trust

Consolidated Balance Sheets

(Unaudited)

(In thousands of dollars)	As at March 31, 2010	As at December 31, 2009
Assets		
Current assets		
Accounts receivable (note 11)	29,096	28,262
Prepaid expenses and other	2,992	2,158
Inventory	4,071	3,984
Assets related to discontinued operations (note 14)	90	174
	36,249	34,578
Property and equipment	67,404	67,972
Intangible assets	7,468	8,330
	111,121	110,880
Liabilities		
Current liabilities		
Bank overdraft	1,356	270
Accounts payable and accrued liabilities	10,836	11,689
Revolving bank term loan (note 5)	67,950	67,950
Current portion of obligations under capital leases	1,117	544
Liabilities related to discontinued operations (note 14)	1	11
	81,260	80,464
Obligations under capital leases	790	331
	82,050	80,795
Unitholders' Equity		
Units (note 6)	292,498	292,498
Contributed surplus (note 7)	1,178	1,050
Accumulated loss	(226,642)	(225,500)
Accumulated distributions to unitholders	(37,963)	(37,963)
	29,071	30,085
	111,121	110,880

Going concern (note 2)

See accompanying notes to the consolidated financial statements

Petrowest Energy Services Trust
Consolidated Statements of Loss, Comprehensive Loss and Accumulated Loss

(Unaudited)

(In thousands of dollars, except per unit amounts)	Three months ended March 31	
	2010	2009
Revenue	35,756	38,137
Expenses		
Operating expenses	29,625	31,497
General and administrative	1,558	1,848
Interest	863	1,027
Amortization of property and equipment	4,118	5,022
Amortization of intangible assets	862	973
	37,026	40,367
	(1,270)	(2,230)
Other income (loss)		
Gain (loss) on disposal of property and equipment	169	(19)
Interest and other income	4	2
Net loss and comprehensive loss before taxes	(1,097)	(2,247)
Future income tax expense (recovery) (note 9)	-	(2,935)
Net earnings (loss) and comprehensive earnings (loss)	(1,097)	688
Discontinued operations, net of tax (note 14)	(45)	(5,334)
Net loss and comprehensive loss	(1,142)	(4,646)
Accumulated loss - beginning of period	(225,500)	(166,270)
Accumulated loss - end of period	(226,642)	(170,916)
Net loss per unit (note 6)		
-basic and diluted from continuing operations	\$(0.03)	\$0.02
-basic and diluted from discontinued operations	(0.00)	(0.16)
-basic and diluted	(0.03)	(0.14)

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 March 31	
(In thousands of dollars)	2010	2009
Cash provided by (used in)		
Operating activities		
Net earnings (loss) from continuing operations	(1,097)	688
Items not affecting cash		
Amortization of property and equipment	4,118	5,022
Amortization of intangible assets	862	973
Unit-based compensation expense (note 8)	128	28
Future income tax recovery	-	(2,935)
(Gain) loss on disposal of property and equipment	(169)	19
	3,842	3,795
Changes in non-cash working capital		
Accounts receivable	(834)	11,976
Prepaid expenses and other	(834)	34
Inventory	(87)	(243)
Accounts payable and accrued liabilities	(853)	(4,905)
	1,234	10,657
Financing activities		
Repayment of capital lease obligations	(290)	(169)
Repayment of revolving term bank loan	-	(11,000)
	(290)	(11,169)
Investing activities		
Purchase of property and equipment	(2,276)	(1,813)
Proceeds on property and equipment disposals	217	68
	(2,059)	(1,745)
Net change in cash from continuing operations	(1,115)	(2,257)
Cash flow from discontinued operations		
Operating activities	29	(1,291)
Financing activities	-	(3)
Investing activities	-	(133)
Net change in cash from discontinued operations	29	(1,427)
Decrease in cash and cash equivalents	(1,086)	(3,684)
Cash and cash equivalents (bank overdraft), beginning of period	(270)	2,348
Bank overdraft, end of period	(1,356)	(1,336)
Supplementary cash flow information		
Interest paid	866	1,225
Non cash transactions		
Property and equipment financed by capital leases	1,322	-

Going concern (note 2)

See accompanying notes to the consolidated financial statements.

Petrowest Energy Services Trust

Notes to Consolidated Financial Statements

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

1 Basis of Presentation

The unaudited interim consolidated financial statements for Petrowest Energy Services Trust (“Petrowest” or the “Trust”) have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”) for interim financial statements. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited interim consolidated financial statements and the reported amounts of revenues and expenses for the period reported. Actual results could differ from these estimates. Such estimates include amortization of property and equipment, recoverability of accounts receivable, valuation of assets included in acquisitions and impairment of goodwill, intangibles and property and equipment as well as estimates of temporary differences between accounting and tax values which affect the measurement of future income tax assets and liabilities. The accounting policies and methods of application followed in the preparation of the unaudited interim consolidated financial statements, other than described in Note 3 below, are the same as those followed in the preparation of the Trust’s most recent audited annual consolidated financial statements dated December 31, 2009. The unaudited interim consolidated financial statements should be read in conjunction with the Trust’s December 31, 2009 audited consolidated financial statements and the notes contained therein.

2 Going Concern

These 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 the continuing availability of its credit facilities or its ability to refinance such credit facilities, and its ability to generate positive cash flows from operations. There is no assurance that the Trust will be successful in procuring alternative financing in the event that the credit facilities become due following their expiry or upon demand for repayment.

The term of the credit facility expired on December 14, 2009 and the banking syndicate has not extended this date. As a result, the Trust is required to repay 1/12 of the amount outstanding at the end of each financial quarter following such date until December 14, 2011 at which time the remaining amount will be due and payable.

In addition, the Trust was not in compliance with three financial covenants contained in the credit facility as at December 31, 2009 and obtained waivers of these breaches of covenants from the banking syndicate until January 15, 2010. Furthermore, there were scheduled reductions and cancellations of commitments due September 30, 2009 and December 31, 2009 in the aggregate amount of \$9.5 million which the banking syndicate provided a deferral until January 15, 2010. The waivers and deferrals above have not been extended subsequent to January 15, 2010 by the banking syndicate, and as a result the Trust is in default under the credit facility which is effectively due on demand. See Note 5 – Revolving Bank Term Loans for more information.

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’s ability to continue operations is dependent on the continued support of the banking syndicate or the ability to refinance the existing bank credit facility. The Trust has substantially concluded negotiations with respect to the amendments to its existing secured credit facilities with

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Notes to Consolidated Financial Statements

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

the banking syndicate. These amendments remain subject to final approval by the syndicate and the execution of an amended and restated credit agreement. The Trust expects that such amended credit facilities will be in an initial aggregate principal amount of \$70.0 million, consisting of a revolving credit facility in the principal amount of \$63.0 million and a working capital facility in the principal amount of \$7.0 million. The Trust has filed a preliminary short form prospectus with the applicable securities regulatory authorities to raise a minimum of \$7.5 million through an offering and distribution of rights to subscribe for trust units of the Trust. Failure to raise proceeds of \$7.5 million under the Offering is expected to be an event of default under the amended and restated credit agreement.

3 Recent Accounting Pronouncements

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

In 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 consolidated financial statements.

4 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.

5 Revolving Bank Term Loans

The Trust’s credit facilities are 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. As at March 31, 2010, \$69.3 million was outstanding under the Trust’s revolving bank term loan (including bank overdraft).

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

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.

The term of the credit facility expired on December 14, 2009 and the banking syndicate has not extended this date. As a result, the Trust is required to repay 1/12 of the amount outstanding at the end of each financial quarter following such date until December 14, 2011 at which time the remaining amount would be due and payable.

In addition, the Trust was not in compliance with three financial covenants contained in the credit facility as at December 31, 2009 and obtained waivers of these breaches of covenants from the banking syndicate until January 15, 2010. Furthermore, there were scheduled reductions and cancellations of commitments due September 30, 2009 and December 31, 2009 in the aggregate amount of \$9.5 million which the banking syndicate provided a deferral until January 15, 2010. The waivers and deferrals above have not been extended by the banking syndicate, and as a result the Trust is in default under the credit facility which is effectively due on demand.

	March 31, 2010	December 31, 2009
Revolving bank term loan	67,950	67,950
Obligations under capital lease	1,907	875
	69,857	68,825
Less current portion of revolving bank term loan	67,950	67,950
Less current portion of obligations under capital lease	1,117	544
	790	331

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6 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		As at	
	March 31, 2010	March 31, 2010	December 31, 2009	December 31, 2009
	Units	Amount	Units	Amount
Balance, beginning of period	31,786,308	291,113	31,766,308	291,107
Issued for services rendered	-	-	20,000	6
	31,786,308	291,113	31,786,308	291,113
Subordinated units, beginning of period	1,160,000	1,385	1,160,000	1,385
Balance, end of period	32,946,308	292,498	32,946,308	292,498
Weighted average units for period – Basic	32,946,308		32,940,116	
Weighted average units for period – Diluted	35,329,932		35,356,830	

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 March 31, 2010, there was a balance of \$2,095,000 outstanding related to promissory notes, net of repayments.

7 Contributed Surplus

Continuity of contributed surplus:

	As at	As at
	March 31, 2010	December 31, 2009
Balance – beginning of period	1,050	635
Unit based compensation expense	128	415
Value assigned to expired warrants	-	-
Redemption of subordinated units below carrying value	-	-
Balance – end of period	1,178	1,050

8 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 entitle 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 at a 10 day weighted average price of \$1.22 to participants which vest one third per year over the three year period from the date of grant. The DTU’s are

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either classified as equity settled instruments or as liabilities. For DTU's classified as equity settled instruments, the unit based compensation expense related to the units granted is recognized over the vesting period, on a graded basis, based on the fair value of the units at the date of the grant and is charged to unit based compensation expense and contributed surplus. The contributed surplus balance is reduced as vested units are settled. For DTU's classified as liability settled instruments the unit based compensation expense related to the units granted is recognized over the vesting period, on a graded basis, based on the fair value of the units at each reporting date where they are "marked to market" based on the unit price at the quarter end. The forfeitures for the three months ended March 31, 2010 were 33,756 units (2009 – nil) units

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 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 at a 10 day weighted average price of \$0.36 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 at a 10 day weighted average price of \$0.26 was made. These units will vest one third per year over the three year period from the date of grant and be classified as an equity settled instrument.

The effect on the consolidated financial statements for the three months ended March 31, 2010 was \$127,343 (2009 - \$107,503) of unit based compensation expense.

9 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 non-capital losses and with the property and equipment and intangibles acquired by the Trust on September 7, 2006 and May 18, 2007 as follows:

	As at March 31, 2010	As at December 31, 2009
Future income tax assets		
Non Capital Loss	9,046	5,599
Trust unit issue costs	627	627
Unit based compensation	64	65
Subtotal	9,737	6,291
Valuation Allowance	(2,744)	(1,731)
	6,993	4,560
Less:		
Future income tax liabilities		
Property and equipment	6,136	3,713
Intangible assets	857	847
	6,993	4,560
Net Asset/Liability	-	-

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10 Related Party Transactions

Petrowest paid rent, supplies, and services for the three month period ended March 31, 2010 for office and shop space under leases entered into with certain employees who were former owners of businesses acquired in the amount of \$932,798 (2009 - \$918,535). Transactions were recorded at the agreed upon amount. The Trust has payables of \$331,789 (2009 - \$459,564) and receivables of \$59,638 (2009 - \$3,726) related to services provided to and from certain former owners of businesses acquired.

11 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.

In June 2009, the CICA issued amendments to CICA Handbook Section 3862, Financial Instruments – Disclosures. The amendments include enhanced disclosures related to the fair value of financial instruments and the liquidity risk associated with financial instruments. The amendments are effective for annual financial statements for fiscal years ending after September 30, 2009 and are consistent with recent amendments to financial instrument disclosure standards in International Financial Reporting Standards. The adoption of this section required enhanced disclosures in these financial statements.

This section was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Trust has concluded that the fair value of its' financial instruments effected by this amendment are all considered to be Level 2. The only qualifying financial instrument is cash and cash equivalents.

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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, 2009.

(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 March 31, 2010.

Commodity Price Risk

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

(b) Credit Risk

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

The Trust maintains a broad customer base across its four operating business segments. A significant amount of the Trust's customer base is with entities in the oil and gas industry and is subject to normal industry credit risks. The other significant portion of the customer base is with significant construction and forestry companies. Two customers (16% and 12%) represent greater than 10% of the Trust's consolidated revenue for the period ended March 31, 2010. One customer (17%) accounts for greater than 10% of the Trust's accounts receivable balance as at March 31, 2010.

	Continuing Operations	Discontinued Operations	Total
0-30 days	9,702	-	9,702
30-61 days	10,580	-	10,580
61-90 days	927	-	927
Over 90 days	7,887	18	7,905
	29,096	18	29,114

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Included in the accounts receivable over 90 days is a provision for doubtful accounts in the amount \$436,193. 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, 2009	(456)
Additional provision	(60)
Recovery of provision	77
Receivables written off	3
Closing balance – March 31, 2010	(436)

(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	1,356	-	-	1,356
Accounts payable and accrued Liabilities	10,836	-	-	10,836
Operating leases	6,396	5,313	2,028	13,737
Obligations under capital leases	1,204	810	12	2,026
Revolving bank term loan	67,950	-	-	67,950
	87,742	6,123	2,040	95,905

See Notes 2, 5, and 12 for details on risks related to the Trust's ability to meet its continuing obligations as they become due and payable.

12 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 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 three month ended March 31,

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2010 the Net Debt decreased \$2.1 million. The Trust intends on establishing new targets when the Rights Offering is completed and the Amended and Restated Credit Agreement is entered into (see Note 15).

	As at March 31, 2010	As at December 31, 2009
Revolving bank term loan	67,950	67,950
Obligations under capital leases	1,907	875
Add (less) cash and cash equivalents/bank overdraft	1,356	270
	71,213	69,095
Unitholders' Equity	29,071	30,085
Total Capitalization	100,284	99,180
Net Debt to Total Capitalization	71.0%	69.7%

The entire revolving bank term loan has been classified as current on the balance sheet.

The Trust has substantially concluded negotiations with respect to the amendments to its existing secured credit facilities with the banking syndicate. These amendments remain subject to final approval by the syndicate and the execution of an amended and restated credit agreement. The Trust expects that such amended credit facilities will be in an initial aggregate principal amount of \$70.0 million, consisting of a revolving credit facility in the principal amount of \$63.0 million and a working capital facility in the principal amount of \$7.0 million. The Trust has filed a preliminary short form prospectus with the applicable securities regulatory authorities to raise a minimum of \$7.5 million through an offering and distribution of rights to subscribe for trust units of the Trust. Failure to raise proceeds of \$7.5 million under the Offering is expected to be an event of default under the amended and restated credit agreement.

The Trust's capital management objectives have not changed over the period presented.

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13 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 March 31, 2010

	Construction	Transportation	Civil	Rentals	Discontinued Operations	Corporate	Total
Total revenue	16,884	10,240	9,678	2,132	-	-	38,934
Less inter-segment revenue	(997)	(1,229)	(86)	(866)	-	-	(3,178)
Revenue	15,887	9,011	9,592	1,266	-	-	35,756
Operating and general and administrative	11,891	7,624	9,083	1,027	45	1,558	31,228
Interest expense	292	70	404	72	-	25	863
Interest income	(4)	-	-	-	-	-	(4)
(Gain) Loss on disposal of equipment	(170)	-	-	1	-	-	(169)
Amortization	2,304	630	1,464	539	-	43	4,980
Future income taxes	-	-	-	-	-	-	-
Net earnings (loss)	1,574	687	(1,359)	(373)	(45)	(1,626)	(1,142)
Capital expenditures	1,381	132	679	82	-	2	2,276

For the three months ended March 31, 2009

	Construction	Transportation	Civil	Rentals	Discontinued Operations	Corporate	Total
Total revenue	20,413	9,292	10,158	1,524	4,749	-	46,136
Less inter-segment revenue	(1,525)	(877)	(2)	(846)	(86)	-	(3,336)
Revenue	18,888	8,415	10,156	678	4,663	-	42,800
Operating and general and administrative	14,116	6,939	9,324	1,118	4,806	1,848	38,151
Interest expense	402	135	401	80	105	9	1,132
Interest income	-	-	-	-	-	(2)	(2)
(Gain) Loss on disposal of equipment	-	26	(7)	-	-	-	19
Amortization	2,770	773	1,719	665	586	68	6,581
Asset impairment	-	-	-	-	4,500	-	4,500
Future income taxes	-	-	-	-	-	(2,935)	(2,935)
Net earnings (loss)	1,600	542	(1,281)	(1,185)	(5,334)	1,012	(4,646)
Capital expenditures	595	196	918	66	133	37	1,945

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Notes to Consolidated Financial Statements

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

Selected balance sheet items as at March 31, 2010

	Construction	Transportation	Civil	Rentals	Discontinued Operations	Corporate	Total
Current assets	13,191	3,051	17,340	1,403	90	1,174	36,249
Property and equipment	24,810	8,952	23,894	8,625	-	1,123	67,404
Intangibles	2,689	666	3,750	363	-	-	7,468
Goodwill	-	-	-	-	-	-	-
Total assets	40,690	12,669	44,984	10,391	90	2,297	111,121

Selected balance sheet items as at December 31, 2009

	Construction	Transportation	Civil	Rentals	Discontinued Operations	Corporate	Total
Current assets	14,733	3,143	13,989	1,217	174	1,322	34,578
Property and equipment	25,409	9,354	23,155	8,891	-	1,163	67,972
Intangibles	3,060	762	4,083	425	-	-	8,330
Goodwill	-	-	-	-	-	-	-
Total assets	43,202	13,259	41,227	10,533	174	2,485	110,880

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

14 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 sale price of \$10 million and recorded a loss on disposal of \$1 million under discontinued operations on the statement of loss. As this was an asset sale, Petrowest retained all of the accounts receivable and accounts payable associated with this business. Proceeds from the sale were used to reduce the revolving bank term loan.

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

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

The following amounts have been included in the March 31, 2010 and December 31, 2009 Consolidated Balance Sheets:

	As at March 31, 2010	As at December 31, 2009
Current assets related to discontinued operations		
Accounts receivable	18	102
Prepaid expenses	72	72
Total current assets related to discontinued operations	90	174
Assets held for sale		
Property and equipment	-	-
Intangible assets	-	-
Discontinued assets held for sale	-	-
Current liabilities related to discontinued operations		
Accounts payable and accrued liabilities	1	11
Total current liabilities related to discontinued operations	1	11

The following amounts have been included in the March 31, 2010 and March 31, 2009 Consolidated Statements of Net Loss, Comprehensive Loss and Accumulated Loss are:

	March 31, 2010	March 31, 2009
Revenue	-	4,663
Expenses		
Operating expenses	45	4,806
Interest	-	105
Amortization of property and equipment	-	569
Amortization of intangible assets	-	17
Impairment of property and equipment	-	4,500
	45	9,997
Operating loss	(45)	(5,334)
Gain/(loss) on sale of property and equipment	-	-
Net loss before income taxes	(45)	(5,334)
Income taxes (recovery)	-	-
Discontinued Operations, net of tax	(45)	(5,334)

15 Subsequent event

On May 12, 2010 the Trust filed a preliminary short form prospectus (the "Offering") with the applicable securities regulatory authorities. The prospectus was for the offering and distribution of rights to subscribe for trust units of the Trust to raise a minimum of \$7.5 million. On May 12, 2010 The Trust entered into a Standby Purchase Agreement with PetroCorp Group Inc. and seven other individual purchasers (the "Standby Purchasers") whereby the Standby Purchasers agreed to purchase all of the trust units not otherwise purchased pursuant to the Offering. The Offering remains subject to regulatory approval, including the receipt for a final prospectus relating to the Offering and that of the Toronto Stock Exchange. The Offering is conditional upon the entering into of an agreement by the Trust with the banking syndicate. The Trust has substantially concluded negotiations with respect to the amendments to its existing secured credit facilities with the banking syndicate. These amendments remain subject to final approval by the syndicate and the execution of an amended and restated credit agreement. The Trust expects that such amended credit facilities will be in an initial aggregate principal amount of \$70.0 million, consisting of a revolving credit facility in the principal amount of \$63.0 million and a working capital facility in

Petrowest Energy Services Trust

Notes to Consolidated Financial Statements

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

the principal amount of \$7.0 million. The Trust has filed a preliminary short form prospectus with the applicable securities regulatory authorities to raise a minimum of \$7.5 million through an offering and distribution of rights to subscribe for trust units of the Trust. Failure to raise proceeds of \$7.5 million under the Offering is expected to be an event of default under the amended and restated credit agreement.

16 Comparative figures

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