



PETROWEST ENERGY SERVICES TRUST

Annual Information Form

For The Year Ended December 31, 2010

March 31, 2011

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GLOSSARY OF TERMS

Whenever used in this Annual Information Form, unless the context otherwise requires, the following words and terms will have the indicated meanings:

"**ABCA**" means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended;

"**Acquisitionco**" means Petrowest Services Ltd., a corporation incorporated under the ABCA on January 26, 2006, which is a wholly-owned subsidiary of Petrowest Business Trust;

"**Administration Agreement**" means the administration agreement entered into between the Trust, the General Partner and Petrowest Business Trust as described under "*Material Contracts - Administration Agreement*";

"**AIF**" means this Annual Information Form;

"**Amended and Restated Credit Agreement**" means the Second Amended and Restated Credit Agreement between Petrowest and the Bank Syndicate dated May 17, 2010, as amended from time to time;

"**Audit Committee**" means the audit committee of the General Partner;

"**Bank Syndicate**" means the Toronto Dominion Bank, Alberta Treasury Branches, the Bank of Nova Scotia and the Bank of Montreal;

"**Board of Directors**" means the board of directors of the General Partner as from time to time constituted;

"**Business Deed of Trust**" means the deed of trust dated August 29, 2006 pursuant to which Petrowest Business Trust was established, as the same may be amended, supplemented or restated from time to time;

"**Business Notes**" means notes issued pursuant to the Note Indenture;

"**Business Trustee**" means Petrowest Energy Services Trustee Ltd., a corporation incorporated under the ABCA which is the trustee of Petrowest Business Trust;

"**Business Units**" means trust units of Petrowest Business Trust;

"**Civil Partnership**" means Petrowest Civil Services LP, a limited partnership established under the laws of Alberta;

"**Civil Services Division**" means the division of Petrowest comprising the general rock and gravel crushing and oilfield safety services and rentals business, such division operated under the Civil Partnership;

"**Class A GP Unit**" means an undivided 0.001% interest in a Partnership entitling the holder of record thereof to the rights provided in the Partnership Agreement for that Partnership;

"**Class B Common LP Unit**" means an undivided interest in a Partnership entitling the holder of record thereof to the rights provided in the Partnership Agreement for that Partnership;

"Class C Preferred LP Unit" means an interest in a Partnership entitling the holder of record thereof to a fixed preferential interest in such Partnership's income as provided in the Partnership Agreement for that Partnership;

"Construction Partnership" means Petrowest Construction LP, a limited partnership established under the laws of Alberta;

"Cutbank" means, collectively, Cutbank Trucking Ltd. and Cutbank Transport Ltd.;

"D&D Well Services" means, collectively, 404434 Alberta Corporation, 756171 Alberta Corporation and 756169 Alberta Corporation;

"Deed of Trust" means the deed of trust dated July 6, 2006 pursuant to which the Trust was established, as the same may be amended, supplemented or restated from time to time;

"Director" means a member of the Board of Directors;

"Distribution Period" means each calendar month in each calendar year from and including the first day thereof and to and including the last day thereof;

"Distribution Record Date" means until otherwise determined by the Trustee upon the recommendation of the General Partner, the last business day of each calendar month of the year, except in the case of the month of December where December 31 of each year shall be a Distribution Record Date, or any additional days as may be determined from time to time by the Trustee;

"DTU" means a deferred trust unit which may be granted to a participant in the DTU Plan, subject to the terms and conditions of the DTU Plan;

"DTU Plan" means the deferred trust unit plan adopted by the Trust, as amended from time to time, which is more fully described under *"General Development of the Trust – History – 2008"* and *"General Development of the Trust – History – 2009"*;

"GAAP" means generally accepted accounting principles in Canada;

"General Partner" means Petrowest Energy Services General Partner Ltd., a corporation incorporated under the ABCA on July 6, 2006, which is a wholly-owned subsidiary of Petrowest Business Trust;

"Gordon Bros. Construction" means, collectively, Gordon Bros. Construction Ltd. and 332691 Alberta Ltd.;

"Heavy Equipment Rentals Division" means the division of Petrowest comprising the oilfield and construction heavy equipment rentals business, such division operated under the Rentals Partnership;

"IFRS" means International Financial Reporting Standards;

"Initial Public Offering" means the initial public offering of 14,000,000 Trust Units that closed on September 7, 2006;

"Jim Moffat Construction" means, collectively, Jim Moffat Construction Ltd. and 921639 Alberta Ltd.;

"major equipment" means equipment valued at \$50,000 or more;

"Murtron Hauling" means, collectively, Murtron Hauling Ltd. and 815431 Alberta Ltd.;

"Neuwest Equipment" means, Neuwest Equipment Rentals Inc.;

"Non-Resident" means a non-resident of Canada for the purposes of the Tax Act;

"Northern Tractor" means, collectively, Fitzpatrick Co. Ltd. and Northern Tractor Sales and Rentals Co. Ltd.;

"Note Indenture" means the Note Indenture between Petrowest Business Trust and Valiant Trust Company dated August 29, 2006;

"Partnership Agreements" means the limited partnership agreements between the General Partner, as general partner, and Petrowest Business Trust, as initial limited partner, pursuant to which the Partnerships were formed, as the same may be amended, supplemented or restated from time to time;

"Partnerships" means, collectively, the Construction Partnership, the Transportation Partnership, the Civil Partnership and the Rentals Partnership;

"Petrowest" means, collectively, the Trust, the Business Trust, the Partnerships, Acquisitionco and the General Partner;

"Petrowest Business Trust" or the **"Business Trust"** means Petrowest Energy Services Business Trust, an unincorporated, open-ended limited purpose trust established under and governed by the laws of the Province of Alberta pursuant to the Business Deed of Trust;

"Plans" means trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, registered disability savings plans and tax-free savings accounts, each as defined in the Tax Act;

"Prior Credit Agreement" means the amended and restated credit agreement between Petrowest and the Bank Syndicate dated May 18, 2007, which was replaced in its entirety by the Amended and Restated Agreement on May 17, 2010;

"Priority Distributions" has the meaning ascribed thereto under *"Description of the Trust – Subordinated Units"*;

"Quigley Contracting" means, collectively, Quigley Contracting Ltd., 529805 B.C. Ltd. and LMQ Enterprises Ltd.;

"R Bee Crushing" means, collectively, Bernet Ventures Ltd. and R Bee Crushing Ltd., and Dal Finn Holdings Ltd.;

"Redemption Price" has the meaning ascribed thereto under *"Information Concerning Petrowest – The Trust – Redemption Right"*;

"Rentals Partnership" means Petrowest Services Rentals LP, a limited partnership established under the laws of Alberta;

"Rick's Mechanical Services" means Rick's Mechanical Services Ltd.;

"Road and Lease Construction Division" means the division of Petrowest comprising the oilfield well site lease preparation, road construction, earth moving, reclamation and commercial projects business, such division operated under the Construction Partnership;

"Roy Larson Construction" means Roy Larson Construction Ltd.;

"Shareholders' Agreement" means the unanimous shareholders' agreement with respect to the General Partner dated effective August 29, 2006 among the Trust, the Business Trust, the Business Trustee and the General Partner described under *"Material Contracts – Shareholders Agreement"*;

"S.O.S. Oilfield Safety" means Safetymaster Rentals Corp.;

"Subordinated Distribution" has the meaning ascribed thereto under *"Information Concerning Petrowest – The Trust – Subordinated Units"*;

"Subordinated Redemption Price" has the meaning ascribed thereto under *"Information Concerning Petrowest – The Trust – Redemption Price"*;

"Subordinated Units" means subordinated trust units of the Trust referred to under *"Information Concerning Petrowest – The Trust – Units"*;

"Tax Act" means the Income Tax Act (Canada) and the regulations thereunder, as amended from time to time;

"Transportation and Hauling Division" means the division of Petrowest comprising the general oilfield hauling, equipment transportation, log loading and hauling, gravel hauling, pipe hauling and other transportation services business, such division operated under the Transportation Partnership;

"Transportation Partnership" means Petrowest Transportation LP, a limited partnership established under the laws of Alberta;

"Tri-Dave Gravel Sales" means Tri-Dave Gravel Sales Ltd.;

"Trust" means Petrowest Energy Services Trust, an unincorporated, open-ended, limited purpose mutual fund trust established under and governed by the laws of the Province of Alberta pursuant to the Deed of Trust;

"Trust Assets" means:

- (a) the initial contribution used to settle the Trust;
- (b) all funds or property realized from the issuance or sale of Units or any other securities of the Trust or cash received from time to time;
- (c) all securities held by the Trust or by the Trustee on behalf of the Trust;
- (d) Business Units and Business Notes;
- (e) short-term investments permitted by the Deed of Trust;
- (f) any proceeds of disposition of any of the foregoing property; and
- (g) all income, interest, dividends, return of capital, profit, gains and accretions and all substituted assets, rights and benefits of any kind or nature whatsoever arising directly or indirectly from or in connection with or accruing to such foregoing property or such proceeds of disposition;

"Trust Units" means trust units of the Trust each representing an equal undivided beneficial interest in the Trust and any distributions from the Trust referred to under *"Information Concerning Petrowest – The Trust – Trust Units"*;

"**Trustee**" means Valiant Trust Company, a trust corporation incorporated under the laws of Alberta;

"**2006 Acquired Companies**" means, collectively, Gordon Bros. Construction, Roy Larson Construction, Wales Contractors, D&D Well Services, Murtron Hauling, R Bee Crushing, S.O.S. Oilfield Safety, Neuwest Equipment and Northern Tractor;

"**2007 Acquired Companies**" means, collectively, Cutbank, Jim Moffatt Construction, Quigley Contracting, Rick's Mechanical Services and Tri-Dave Gravel Sales;

"**TSX**" means the Toronto Stock Exchange;

"**Unitholder**" means a holder of Units;

"**Units**" means, collectively, the Subordinated Units and the Trust Units;

"**Wales Contractors**" means, collectively, Wales Contractors Ltd. and 310423 Alberta Ltd.;

"**WCSB**" means the Western Canadian Sedimentary Basin; and

"\$" or "dollars" means Canadian dollars.

Unless otherwise indicated, all of the information provided in this AIF is as at December 31, 2010.

FORWARD LOOKING STATEMENTS

Certain information and statements contained in this AIF 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 divisions operated through affiliates of the Trust, expectations respecting the competitive position of such business divisions, expectations concerning the financing of future business activities, statements as to future economic and operating conditions, oil sands production and investment and revenues from oil and gas and non-oil and gas activities. **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 AIF 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 divisions are, or may be, exposed in all aspects of their business, the ability of the Trust's various business divisions to access equipment (including parts) and new technologies and to maintain relationships with key suppliers, the ability of the Trust's various business divisions to attract and maintain key personnel and

other qualified employees, various environmental risks to which the Trust's business divisions are exposed in the conduct of their operations, inherent risks associated with the conduct of the businesses in which the Trust's business divisions operate, risks that projects that are anticipated to be carried out by the Trust may not be completed by the project owners, the ability of Petrowest to become involved in and capitalize on large infrastructure and other large capital projects in Alberta, 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, the implementation of IFRS 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 divisions is based on the current budget of the Trust (which is subject to change), factors that affected the historical growth of such business divisions, 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 divisions is based upon the current competitive environment in which those business divisions 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 and civil infrastructure construction businesses. 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, opinions of third-party analysts respecting anticipated economic and operating conditions. Forward-looking information concerning contracts for future work and the impact of such projects on the Trust are based on management's opinions and experience in carrying out similar projects in the industry. 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 AIF.** All of the forward looking statements of the Trust contained in this AIF are expressly qualified, in their entirety, by this cautionary statement. The various risks to which the Trust is exposed are described in additional detail in this AIF under the heading "Risk Factors".

NON-GAAP MEASURES

The Trust's 2010 audited consolidated annual financial statements and the notes therein, which were used and relied upon in the preparation of this AIF, were prepared in accordance with GAAP. The Trust's 2010 annual management's discussion and analysis, which was also used in the preparation of this AIF, use various measures which are not recognized by GAAP and which do not have a standardized meaning under GAAP. For further information on these non-GAAP measures, please refer to page 1 of the Trust's 2010 annual management's discussion and analysis. The Trust's 2010 audited consolidated annual financial statements and 2010 MD&A were filed on March 23, 2010 and are available on SEDAR at www.sedar.com.

PETROWEST ENERGY SERVICES TRUST

Introduction

The Trust was formed on July 6, 2006 and is an unincorporated, open-ended, limited purpose mutual fund trust established under and governed by the laws of the Province of Alberta pursuant to the Deed of Trust. The registered office of the Trust is 4500, 855- 2nd Street S.W., Calgary, Alberta and the head office of the Trust is located at Suite 204, 10605 Westside Drive, Grande Prairie, Alberta. The Trust also has a

corporate office located at 1020, 407 – 2nd Street S.W., Calgary, Alberta. The Trust became a reporting issuer in certain provinces of Canada upon the completion of the Initial Public Offering and its outstanding Trust Units were listed and posted for trading on the TSX on September 7, 2006. The Trust was established to hold Business Notes and a 100% beneficial interest in the Petrowest Business Trust. The trustee of the Trust is the Trustee. The General Partner is responsible for overseeing and managing the Trust and Petrowest Business Trust. The General Partner is a corporation that was incorporated under the ABCA on July 6, 2006, all of the outstanding shares of which are held by the Petrowest Business Trust.

The Trust is a diversified services trust that provides pre-drilling and post-completion oilfield services to the northern region of the WCSB as well as hauling, logging, gravel crushing and civil construction for infrastructure and commercial projects. Petrowest services the region via its head and operational office in Grande Prairie, Alberta and 11 full-service locations throughout northern Alberta and British Columbia, each with a staging area, shop area, and sales and service personnel.

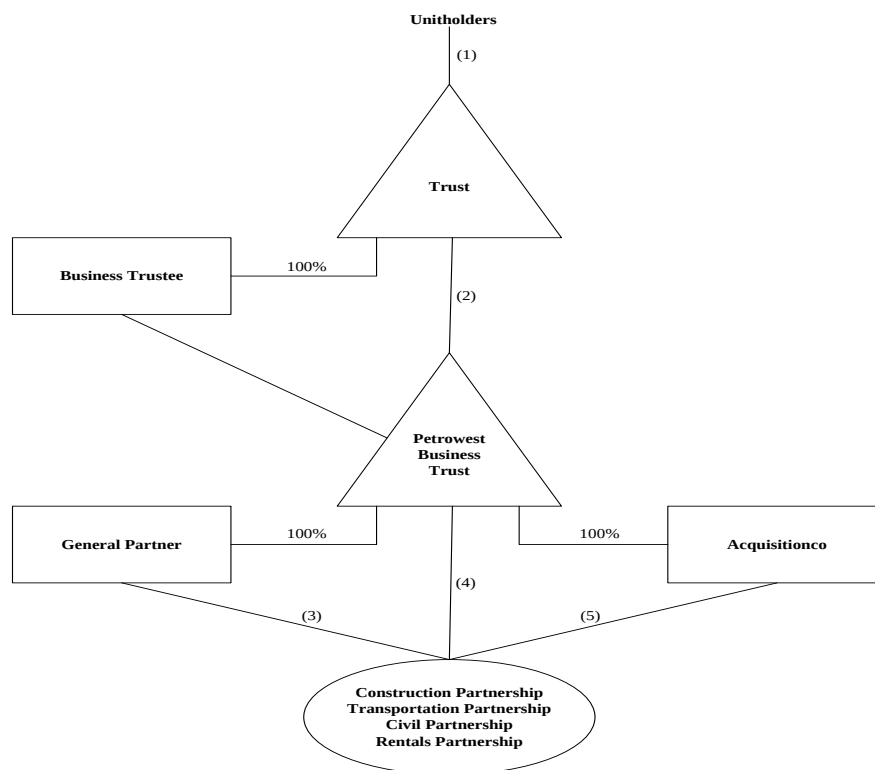
In 2006 and 2007, Petrowest purchased the 2006 Acquired Companies and the 2007 Acquired Companies, all of which were established, private pre-drilling, post-completion, construction or road-building service providers based in Grande Prairie, Peace River and Fort St. John. In 2009, Petrowest disposed of the rig moving business operated under the name "D&D Well Services". The remaining eight 2006 Acquired Companies and the five 2007 Acquired Companies are complementary to one another and allow Petrowest to benefit from its ability to provide clients with a full-range of services, cost competitive pricing, capabilities to service large-scale contracts and a modern and well-maintained equipment fleet. The Trust will continue to focus on diversification into industrial and civil infrastructure activities, as it is anticipated that infrastructure project demand will be strong over the next couple of years as a result of government stimulus packages. The oil and gas sector will continue to be an important part of the Trust going forward with geographic diversification over the past year focused on the areas experiencing increased business activity including Fort McMurray, Alberta and the Horn River and Montney shale gas regions of British Columbia.

Petrowest's business is operated in four divisions corresponding to the four Partnerships as follows:

- **Road and Lease Construction Division** - includes oilfield well site lease preparation, road construction, earth moving, reclamation, commercial projects, 5 camps and other lease construction services. The Road and Lease Construction Division owns approximately 196 pieces of major equipment and averages 251 full-time and seasonal employees;
- **Transportation and Hauling Division** - includes general oilfield hauling, log loading and hauling, gravel hauling, pipe hauling and other transportation services. The Transportation and Hauling Division owns approximately 92 pieces of major equipment and averages 93 full-time and seasonal employees;
- **Civil Services Division** - includes general rock and gravel crushing and oilfield safety services and rentals. The Civil Services Division owns approximately 165 pieces of major equipment and averages 142 full-time and seasonal employees; and
- **Heavy Equipment Rentals Division** - includes oilfield and construction heavy equipment rentals. The Heavy Equipment Rentals Division owns approximately 61 pieces of major equipment and averages 8 full-time employees.
- Petrowest's divisions also lease pieces of major equipment as required in connection with the operation of its business.

Organization and Structure

The following diagram illustrates the organizational structure of Petrowest:



Notes:

- (1) Unitholders hold Trust Units and Subordinated Units of the Trust.
- (2) The Trust holds Business Notes and a 100% beneficial interest in the Petrowest Business Trust.
- (3) The General Partner holds a 0.001% interest in each of the Partnerships in the form of Class A LP Units.
- (4) Petrowest Business Trust holds Class B Common LP Units in each of the Partnerships.
- (5) Acquisitionco holds Class C Preferred LP Units in each of the Partnerships.

Petrowest Energy Services Business Trust

The Petrowest Business Trust is an unincorporated, open-ended, limited purpose mutual fund trust established under and governed by the laws of the Province of Alberta pursuant to the Business Deed of Trust. The trustee of the Petrowest Business Trust is the Business Trustee, a corporation incorporated under the ABCA, all of the outstanding shares of which are held by the Trust.

The Petrowest Business Trust, directly and indirectly, holds a 99.999% interest in each of the Construction Partnership, the Transportation Partnership, the Civil Partnership and the Rentals Partnership through which Petrowest's Road and Lease Construction Division, Transportation and Hauling Division, Civil Services Division and Heavy Equipment Rentals Division, respectively, operate. Each of the Partnerships is a limited partnership formed under the laws of the Province of Alberta. Each Partnership is authorized to issue Class A GP Units, Class B Common LP Units and Class C Preferred LP Units. The Class A GP Units represent the General Partner's 0.001% undivided interest in a Partnership, the Class B Common LP Units represent an undivided interest in a Partnership and the Class C Preferred LP Units represent an entitlement to a fixed preferential interest in a Partnership's income. The general partner of each of the Partnerships is the General Partner (which holds Class A GP Units) and the limited

partners of each of the partnerships is the Petrowest Business Trust (which holds Class B Common LP Units) and Acquisitionco (which holds Class C Preferred LP Units).

Petrowest Services Ltd.

Acquisitionco is a corporation, all of the common shares of which are held by the Petrowest Business Trust. On September 7, 2006, Acquisitionco acquired all of the shares of the 2006 Acquired Companies and on May 18, 2007, Acquisitionco acquired all of the shares of the 2007 Acquired Companies. Subsequently, the businesses carried on by the 2006 Acquired Companies and the 2007 Acquired Companies were transferred to the respective Partnerships.

GENERAL DEVELOPMENT OF THE TRUST

History

2008

On January 8, 2008, Mr. Lloyd A. Wiggins was appointed as Petrowest's Chief Financial Officer.

On January 22, 2008, Petrowest announced that, as of January 2008, it would be suspending cash distributions indefinitely.

Effective April 15, 2008, the Trust adopted a DTU Plan as a securities-based compensation plan which may be employed by the Trust in addition to the other compensation provided to Petrowest's employees, directors and consultants.

In the second quarter of 2008, Petrowest opened a full service office and maintenance facility in Fort Nelson and increased marketing emphasis in the northeastern British Columbia Horn River and Montney shale gas regions.

On August 13, 2008, Mr. Kenneth N. Drysdale resigned as President and Chief Executive Officer of Petrowest and Mr. D. Hugh Gillard, chairman of the Board of Directors, was appointed as interim Chief Executive Officer until the appointment of a permanent replacement.

On November 28, 2008, Mr. Ralph Hesje was appointed as President and Chief Executive Officer of Petrowest and was also appointed to the Board of Directors.

2009

On May 14, 2009 the Trust sold all of the assets used by Petrowest in its rig moving business operated under the name "D&D Well Services" to D&D Energy Services Ltd. for a purchase price of \$10 million. These assets were purchased by Dennis Geherman who, at the time of the transaction, held approximately 16% of the issued and outstanding Units. As this was an asset sale, Petrowest retained all of the accounts receivable and accounts payable associated with the business, estimated at approximately \$0.8 million of positive working capital. Proceeds from the sale were used to reduce bank indebtedness and to allow management to focus available resources on more profitable segments of Petrowest.

At the annual and special meeting of Unitholders held on June 23, 2009, the Unitholders approved certain amendments to the DTU Plan including an amendment that permits the Trust to settle its obligations under the DTU Plan with Trust Units issued from treasury in addition to settling its obligations in cash or by purchasing Trust Units on the open market.

In the third quarter of 2009, Petrowest began execution on its strategy to expand its presence in the oilsands mining sector by appointing a divisional vice president and securing office and industrial space in Fort McMurray, Alberta.

2010

On May 18, 2010, Petrowest entered into the Amended and Restated Credit Agreement with the Bank Syndicate which amended and restated Petrowest's existing credit facilities in their entirety. The Amended and Restated Credit Agreement provided for credit facilities in an initial aggregate principal amount of \$70.0 million, consisting of a revolving credit facility in the amount of \$63.0 million and a working capital facility in the principal amount of \$7.0 million, subject to scheduled reductions over the term of the facility of \$2.5 million on June 30, 2010, \$3.75 million on September 30, 2010, \$3.75 million on December 31, 2010 and \$2.5 million on March 31, 2011. For further information on the Amended and Restated Credit Agreement, see "*Risk Factors – Risks Relating to the Business – Credit Facility*".

On June 29, 2010, Petrowest completed a rights offering for gross proceeds of \$7,523,595. Pursuant to the offering, the Trust issued 53,571,434 Trust Units and 168,536 Subordinated Units at a subscription price of \$0.14 per Unit. In connection with the rights offering, Petrowest also issued an aggregate of 5,716,072 warrants to purchase Trust Units, each of which is exercisable at \$0.1879 per Trust Unit and has an expiry date of June 29, 2011. These warrants were issued to various corporations and individuals who agreed to act as stand-by purchasers of rights that remained unsubscribed for under following the completion of the rights offering.

On June 30, 2010, Petrowest met its obligation to make a payment of \$2.5 million in order to reduce the principal amount of the Amended and Restated Credit Agreement to \$67.5 million.

On September 16, 2010, Petrowest made several changes to its senior management. Petrowest's President and Chief Executive Officer, Mr. Ralph Hesje, left Petrowest and an executive committee comprised of the Board of Directors and management representatives was formed to oversee the overall operation of the Trust. The Trust also appointed Mr. Rick Quigley and Mr. Murray Head as co-chief operating officers of the Trust and Mr. Jim Moffatt was appointed to the role of Vice President of Sales and Marketing.

On November 3, 2010 the Trust announced that the Board of Directors appointed Mr. Rick Quigley to the position of Interim Chief Executive Officer of Petrowest.

Effective September 30, 2010, Petrowest and the Syndicate entered into an amending agreement in connection with the Amended and Restated Credit Agreement which replaced the remaining three scheduled reductions to the principal amount with four reductions as follows: a reduction of \$1.375 million on September 30, 2010, a reduction of \$2.375 million on October 29, 2010, a reduction of \$3.75 million on December 31, 2010 and a reduction of \$2.5 million on March 31, 2011.

On December 31, 2010, Petrowest closed an offering of secured convertible debentures for gross proceeds of \$3.75 million. The Debentures were privately placed with individuals who are managers of various operational divisions of the Trust. The debentures will pay interest at 10.0% per annum, payable semi-annually in arrears on May 31 and November 30, commencing May 31, 2011, with a maturity date of December 31, 2013. The debentures are secured against certain accounts receivable of the Trust and principal and interest on the debentures are payable from the collections on these accounts receivable. The debentures are convertible to Trust Units at a conversion price of \$0.15 per Trust Unit prior to November 30, 2011 and \$0.175 per Trust Unit subsequent to this date to a maximum of 8,500,000 Trust Units (unless disinterested Unitholder approval is obtained in accordance with the requirements of the Toronto Stock Exchange, in which case the full amount of the Debentures would be convertible for a maximum of up to 25,000,000 Trust Units).

Recent Developments

The Trust's business relies on being able to provide completion and performance bonding on certain large contracts. The recent economic downturn left such bonding much more difficult to obtain. The Trust negotiated a new \$40 million interim bonding facility in February 2011 with a major surety provider. This revolving facility will allow the Trust to continue pursuing additional larger scale projects.

Petrowest has recently been awarded two contracts which the Trust anticipates will generate significant revenue in the first and second quarters of fiscal 2011. Both projects are relatively short in duration and are expected to provide solid financial results to the Trust.

The first contract is for a project near Dawson Creek in northeastern British Columbia to build a fully graded and compacted site. It is expected to be completed in the second quarter of 2011, providing cash flow through the generally quiet "road bans" (load restricted) period of the year. This contract is expected to expand in its scope as it progresses.

The second contract is to clear and provide services for the twinning of Provincial Highway 43 through the Sturgeon Aboriginal Band Lands south of Grande Prairie, Alberta. This project is scheduled to commence in the second quarter of 2011 and completed prior to year end. Again there is additional work anticipated to expand this project.

DESCRIPTION OF THE BUSINESS

General

Petrowest carries on business in the northern region of the WCSB, principally from Grande Prairie, Alberta, with field offices in Fort McMurray, Alberta and Fort St. John, British Columbia and its corporate office in Calgary, Alberta. At the present time Petrowest does not intend to expand operations into eastern Canada, the United States or internationally. The Trust's operations are structured along four business segments – Construction, Transportation, Civil and Rentals. Each of the Trust's business segments is impacted by factors relating to seasonality and cyclicity. As at December 31, 2010, Petrowest employed approximately 21 head and corporate office employees and 494 field office employees out of various locations in Alberta and British Columbia.

The Trust's revenue from continuing operations by business segment is illustrated in thousands of dollars in the following table:

	<u>For the Year ended December 31, 2010</u>	<u>For the Year ended December 31, 2009</u>
	(\$ thousands)	(\$ thousands)
Road and Lease Construction Division	61,572	54,494
Transportation and Hauling Division	23,009	22,261
Civil Services Division	47,698	40,557
Heavy Equipment Rentals Division	3,740	2,310
Corporate	Nil	Nil
Total Revenue	<u>136,019</u>	<u>119,622</u>

Customer Base

The aggregate customer base of Petrowest consists of over 350 entities from the oil and gas exploration and production industry, energy services sector, forestry industry, aggregates industry and government. In addition to its governmental clients, Petrowest's clients range from large multi-national companies to small, private companies.

Road and Lease Construction Division

The Road and Lease Construction Division specializes in well site construction, road building and well-site clean-up, restoration and reclamation. This division also has capacity for providing commercial subdivision construction services. The equipment owned by this division includes more than 196 major pieces comprised of dozers, excavators, rock trucks, earth movers, and graders operated by approximately 255 highly skilled operators and foremen and which can be configured to complete various types of work including major dirt moving, lease construction, major restorations and high volume projects due to changing seasons.

The Road and Lease Construction Division operates out of the following hubs located in northern Alberta: Grand Prairie, Fort McMurray, Valleyview and Worsley; and from Fort St. John and Fort Nelson in northeastern British Columbia. These hubs provide the construction division with the ability to relocate resources as required to meet the demands for services. Petrowest also owns five 30-man mobile camps which provide additional flexibility to meet our clients' needs and reduce lost productive time and travel costs when working in remote locations.

The Road and Lease Construction Division operates under the following business names: "Jim Moffat Construction", "Gordon Bros. Construction", "Quigley Contracting", "Roy Larson Construction" and "Wales Contractors".

Transportation and Hauling Division

The Transportation and Hauling Division had two main components. The first component was the provision of drilling rig mobilization and demobilization services and transportation of drilling rigs, service rigs and heavy equipment to and from well-sites. The rig and equipment transportation business had historically been the largest single business in the operation of the Trust. This business component was directly affected by the significant reduction in drilling activities in the energy sector and was 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 second component of the Transportation and Hauling Division's business is comprised of lighter hauling services involving primarily log and timber hauling in the winter months and gravel hauling in the summer.

The Transportation and Hauling Division also provides a significant portion of the mobilization and demobilization of equipment for both the Road and Lease Construction Division and the gravel crushing operations within the Civil Services Division. This integration creates significant operating synergies versus paying third party contractors for this service.

The services offered by the continuing operations in division are comprised of a fleet of approximately 65 trucks and tractors, some of which incorporate specialized equipment such as pickers and winches, along with more than 98 trailers and more than 109 skilled operators.

Typical contracts undertaken by the Transportation Division include transporting 5,000 to 100,000 cubic metres of dirt and/or gravel in the course of one job, and loading and hauling of between 250,000 to 650,000 cubic metres of timber.

The Transportation Division operates out of Grande Prairie under the following business names: "Cutbank Trucking" and "Murtron Hauling".

Civil Services Division

The Civil Services Division has two main components, the most significant of which includes a full range of mobile rock and gravel crushing activities including pit run crushing, quarry crushing and stripping and cleaning of quarry pits. These activities lend themselves naturally to the production and sale of various manufactured products including highway base aggregates, asphalt aggregates, concrete aggregates and general crushed products. The Civil Services Division's crushing equipment is capable of handling routine jobs of between 100,000 to 500,000 tonnes but has completed projects of up to 1.5 million tonnes.

The gravel crushing operations are comprised of over 165 pieces of major equipment including cone crushers, jaw screens, various sized conveyors and feeder units. Other major equipment required in the crushing operation includes dozers, rock trucks to move the product and front-end loaders to feed the source material to the feeders.

The second component of the Civil Services Division's business is the provision of oilfield safety supervision services and safety equipment rentals for sour gas wells. The safety business is made up of 50 air and office trailers, a line of fixed gas monitoring systems and hand-held gas monitors.

The Civil Services Division has 142 full time and seasonal employees and operates out of Grande Prairie, Alberta and Fort St. John, British Columbia under the following business names: "R Bee Crushing", "Tri-Dave Gravel Sales" and "S.O.S. Oilfield Safety".

Heavy Equipment Rentals Division

The Heavy Equipment Rentals Division currently owns approximately 61 pieces of major equipment including articulated haulers, tracked excavators, crawler dozers, sidebooms, and earth compactors. This equipment is used in oil and gas construction jobs and in the commercial construction industry. The Rentals Division provides rentals both internally to Petrowest's other divisions and externally to clients involved in the oil and gas industry as well as a variety of mining, logging, construction and infrastructure projects.

The Heavy Equipment Rentals Division operates out of locations in Grande Prairie, Alberta under the business name "Nu-Northern Tractor Rentals".

INDUSTRY CONDITIONS AND TRENDS

Oil and Gas

Conventional Oil and Gas

Petrowest is dependent to a degree on the overall health of the western Canadian oil and gas industry, as approximately 40% of the Trust's total revenue from continuing operations for 2010 was directly related to the support of oil and gas exploration and development activities, and particularly the natural gas sector. The 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 price of West Texas Intermediate crude oil averaged US \$79.65 in 2010 compared to US \$61.90 in 2009, which represents an increase of approximately 29%. The near month natural gas price quoted on the New York Mercantile Exchange averaged approximately 6% more in 2010 compared to 2009.

On October 27, 2010 the Canadian Association of Oilwell Drilling Contractors ("**CAODC**") released its most recent forecast for wells to be completed in 2011. The forecast is for 11,811 well to be drilled in 2011, an increase of 224 over the 11,587 forecast for 2010. COADC also released a revised rig utilization forecast with drilling rig utilization for 2011 to be approximately 45% compared to the 43% forecast in 2010.

As a result of the world economic and financial crisis which commenced in 2008, the majority of oil and gas exploration and production companies scaled back capital spending and delayed certain projects, with expensive projects in the Canadian oil sands being the most affected. This resulted in the removal of billions of dollars in capital spending from the energy sector. Activity in the energy sector has seen significant improvements during 2010. For the three month period ended December 31, 2010 there were 4,088 wells rig released in Canada compared to 2,671 in 2009, representing an increase of approximately 53%. In 2010 there were 12,158 wells rig released which is an increase of approximately 45% compared to 2009. The Trust is continuing to focus its services to northeastern British Columbia where the drilling activity remains relatively strong compared to the rest of Canada. The increased drilling activity during 2010 in the oil and gas sector was also evidenced by the increase in the rig utilization rates. During 2010 rig utilization was approximately 41% compared to 24% in 2009.

The oil and natural gas drilling sector will continue to impact the Trust's operations and financial results and remains an important part of the Trust's operations going forward. The amount of the Trust's services directly 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 its strategy of geographic diversification in 2010 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 significant potential growth for the Trust.

Management of the Trust continues 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.

Weather also has a direct impact on the operations of Petrowest. Oil and gas drilling activity is generally stronger November through March as frozen ground conditions allow for the exploration in areas with muskeg conditions. Wet weather in the spring and early summer months hinders activity. As frost comes out of the ground, road conditions deteriorate and municipalities impose temporary weight restrictions on road surfaces ("**road bans**"), thus placing restrictions on access and trucking operations. Operations normally gain strength in late June and continue through to the end of summer and fall. A short slowdown normally occurs in late fall until freezing conditions allow for winter work activity to recommence. Therefore, a longer, colder winter and drier spring and summer would generally enhance operational results.

The Trust is focused on the pre-drilling and post-completion phases of work associated with drilling. In comparison to companies tied directly to drilling or down hole completion work, it is advantageously positioned during lower levels of drilling activity. The Trust's operations and work specialty is the pre-drilling and post-completion phases of the well drilling cycle. During times of lower drilling activity, a portion of the Trust's equipment has typically been utilized to remediate dry and abandoned oil and gas well sites. Management of the Trust views this work capability as a counter cyclical buffer to downturns in oil and gas exploration activities.

Oil Sands Operations

Alberta's oil sands contain approximately 170.0 billion barrels of proven oil reserves which represents approximately 99% of all proven oil reserves in Alberta. On a production basis the Alberta oil sands represent approximately 55% of the total crude oil production in western Canada. The Canadian Association of Petroleum Producers forecasts crude oil production in the Alberta oil sands to reach approximately 2.2 million barrels per day (bbl/day) by 2015 and 3.5 million bbl/day by 2025.

The Trust is geographically positioned in Grande Prairie on the western edge of the Peace Oil Sands projects. The Trust currently provides trucking, equipment rental, and lease and road building construction to clients operating in the Peace Oil Sands. These projects are in an infancy stage relative to the Athabasca Oil Sands projects and the Trust is working to establish relationships with the major operators in this area.

In addition, the Trust currently provides services to clients and producers operating in the Athabasca Oil Sands markets through its full service office and industrial space and its gravel and aggregate crushing and equipment rentals office in the Fort McMurray area.

Other Services

The Trust performs services unrelated to the support of oil and gas exploration and development activities. These services include gravel and aggregate crushing, gravel loading/hauling and placing, log loading and hauling, equipment hauling, lease road building and maintenance for municipal, county and commercial and residential projects and equipment rental to commercial, logging and mining operations. Approximately 60% of the Trust's revenue is currently derived from work provided to these sectors. Management is currently pursuing bids or negotiations on work tied to a number of these planned projects and is optimistic that the Trust will be successful in future participation on many of the projects.

The amount of new capital infrastructure in Alberta will remain strong over the next three years. The Government of Alberta's "Capital Plan 2011-14" forecasts approximately \$17.6 billion of capital infrastructure projects over the next three years. This is down from the previous three year plan, as the quantum of capital infrastructure projects over the past few years was required to ensure the infrastructure was in place to accommodate the increased population and economic growth. It is anticipated that going forward past the plan's three year horizon that the annual expenditures will be approximately \$6.0 billion on a normalized basis. Alberta continues to expend approximately 50% more per capita than the average of the other Canadian provinces.

Competition

Petrowest provides energy services primarily to the field operation locations of oil and gas exploration and production companies that are located in the WCSB. The energy service business in which Petrowest operates is highly competitive and, in order to be successful, it is a part of Petrowest's business strategy to provide services that meet the specific needs of its clients while ensuring competitive pricing and customer satisfaction.

In order to remain competitive, Petrowest emphasizes to its customer base the cost efficiencies and value-added services that Petrowest can provide, specifically in the pre-drilling and post-completion phases. Petrowest is able to provide an integrated service to its clients through its four service divisions. The greatest benefits to oil and gas companies that utilize Petrowest's services include overall cost efficiencies, high performing safety and environmental protection processes, reduced invoicing and time savings in procuring services, the end result of which is stronger profitability as a result of using a grouped services approach.

The barriers to entry for new competitors include a high cost of capital in acquiring and operating a services company, access to a skilled and qualified workforce and qualified and experienced management team that can properly assess and manage the full scale of operational and technical issues including safety, health and environmental liabilities.

The principal competitive factors in the markets in which Petrowest operates are quality of service, service availability, service reliability, quality and capability of equipment used to perform its services, technical and operational knowledge, operating footprint covering northern regions of Alberta, British Columbia and Saskatchewan, management experience and reputation, safety, Aboriginal relations and pricing. Competitors offer similar services in the geographic regions in which Petrowest operates.

RISK FACTORS

The following is a summary of certain risk factors relating to the activities of the Trust and its subsidiaries and the ownership of Trust Units and Subordinated Units.

Risks Relating to the Business

Distributions on the Trust Units have been suspended and may not be reinstated

On January 22, 2008, the Trust announced that it had suspended cash distributions for an indefinite period. The Trust's ability to resume making cash distributions in the future and the actual cash flow available for distribution to Unitholders, if any, is a function of numerous factors including, among other things, Petrowest's financial performance; covenants and obligations set forth in the Amended and Restated Credit Agreement; working capital requirements; future upgrade capital expenditures and future expansion capital expenditure requirements for the purchase of property, plant and equipment; tax obligations; the impact of interest rates and/or foreign exchange rates; the growth of the general economy; the price of crude oil and natural gas; weather; and number of units issued and outstanding. Cash distributions may or may not be reinstated, may be reinstated at amounts different than historical amounts (and subsequently increased or reduced) or may be eliminated entirely depending on Petrowest's operations and the performance of its assets. The market value of the units may deteriorate if the Trust is unable to reinstate its cash distributions or otherwise meet cash distribution expectations in the future, and that deterioration may be material.

Credit Facility

In the second quarter of 2010, the Trust and the Bank Syndicate executed the Amended and Restated Credit Agreement. The Amended and Restated Credit Agreement provided for credit facilities 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, subject to scheduled reductions over the term of the facility as follows: a reduction of \$2.5 million on June 30, 2010; a reduction of \$3.75 million on September 30, 2010; a reduction of \$3.75 million on December 31, 2010; and a reduction of \$2.5 million on March 31, 2011. As at September 30, 2010, after a reduction of \$0.625 million from the net proceeds of a sale of assets and a \$1.375 million additional reduction there was a total commitment of \$65.5 million, comprised of a \$58.95 million syndicated

facility and \$6.55 million working capital facility (\$4.182 million drawn at September 30, 2010). The June 30, 2010 amendment became effective reducing the aggregate principal amount of the credit facility to \$67.5 million.

However, as a result of the increased levels of activity in Petrowest's business, increased funding of working capital was required. As a result, Petrowest entered into an amending agreement effective September 30, 2010 which replaced the remaining three scheduled reductions with four reductions as follows: a reduction of \$1.375 million on September 30, 2010, a reduction of \$2.375 million on October 29, 2010, a reduction of \$3.75 million on December 31, 2010 and a reduction of \$2.5 million on March 31, 2011.

In addition, the Amended and Restated Credit Agreement contains two financial covenants, the "Funded debt to EBITDA Ratio" and the "Fixed Charge Coverage Ratio". As at December 31, 2010 the Trust was in compliance with these covenants as a result of receiving waivers from the Bank Syndicate of strict compliance with such covenants. Under the Amended and Restated Credit Agreement amounts outstanding bear interest at the prime rate plus 5.5%.

The Amended and Restated Credit Agreement has a stated maturity of April 30, 2011 and Petrowest's ability to continue operations is dependent on its ability to renew the credit facility at that time or the ability to refinance the credit facility.

There is no assurance that the Bank Syndicate will agree to renew, or extend the term of, the Amended and Restated Credit Agreement or that the Trust will be successful in procuring alternate financing.

Failure to Realize Anticipated Benefits of Acquisitions

Achieving the benefits of past and future acquisitions will depend in part on successfully consolidating functions and integrating operations, procedures and personnel of all of the businesses acquired by Petrowest in a timely and efficient manner, as well as Petrowest's ability to realize the anticipated growth opportunities and synergies from integrating each of the acquired businesses. This integration will require the dedication of management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the disruption of ongoing business, customer and employee relationships that may adversely affect Petrowest's ability to achieve the anticipated benefits of such acquisitions.

Changes in Financial Reporting

Changes to accounting policies, including the implementation of IFRS, may result in significant adjustments to the Trust's financial results, which could negatively impact its business, including increasing the risk of failing a financial covenant contained within the Amended and Restated Credit Agreement.

In January 2006, the CICA Accounting Standards Board ("**AcSB**") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the AcSB confirmed in February 2008 that IFRS will replace GAAP in 2011 for Canadian publicly accountable enterprises. While IFRS uses a conceptual framework similar to GAAP, there are significant differences that must be evaluated. The implementation of IFRS may result in significant adjustments to the Trust's financial results, which could negatively impact its business, including increasing the risk of failing a financial covenant contained within the Amended and Restated Credit Agreement. At this time, the Trust cannot reasonably quantify the full impact that adopting IFRS will have on the Trust's financial position and future results. For information regarding the impact that IFRS will have on our accounting policies and financial statements, see "International Financial Reporting Standards" in the Annual MD&A and the Third Quarter MD&A.

Volatility of Industry Conditions

The demand, pricing and terms for energy services provided by the Trust largely depend upon the level of industry activity for Canadian natural gas and, to a lesser extent, oil exploration and development. Industry conditions are influenced by numerous factors over which Petrowest has no control, including: oil and gas prices; expectations about future oil and gas prices; the cost of exploring for, producing and delivering oil and gas; the expected rates of declining current production; the discovery rates of new oil and gas reserves; available pipeline and other oil and gas transportation capacity; worldwide weather conditions; global political, military, regulatory and economic conditions; the ability of oil and gas companies to raise equity capital or debt financing; and changes to tax and royalty laws.

The level of activity in the Canadian and Alberta oil and gas exploration and production industry is currently extremely volatile. In 2008, oil prices reached near record inflation-adjusted all time highs, followed by a sharp and rapid decline throughout 2009. Oil prices experienced a strong and rapid recovery in 2010 due to sustained demand, geopolitical unrest and uncertainty. In 2008, natural gas pricing experienced similar volatility and has remained low relative to the high it experienced in 2008. During the course of 2009 and 2010, the price for natural gas recovered, but pricing remains fragile and is significantly less than the highs that were experienced over the past four years. Further, uncertainty regarding royalty structures, climate control initiatives and the impact of the fluctuating Canadian dollar continue to complicate energy sector decision making.

Ongoing volatility could continue to have a material adverse effect on Canadian and Alberta industry activity and Petrowest's business activity levels, financial condition, results of operations and cash flows and therefore on the amount of cash available for distribution to Unitholders.

Seasonality

In Canada, the level of activity in the energy services industry is influenced by seasonal weather patterns. Spring breakup during the second quarter leaves many secondary roads temporarily incapable of supporting the weight of heavy equipment, which results in severe restrictions in the level of energy services. The duration of this period will have a direct impact on the level of Petrowest's activities. Spring breakup occurs earlier in the year in southeastern Alberta than it does in northern Alberta and British Columbia. The timing and duration of spring breakup are dependant on weather patterns but it generally occurs in April and May. Additionally, if an unseasonably warm winter prevents sufficient freezing, Petrowest and its clients may not be able to access well sites and its operating results and financial condition may therefore be adversely affected. The demand for energy services may also be affected by the severity of the Canadian winters. In addition, during excessively rainy periods, equipment moves may be delayed, thereby adversely affecting revenues. The volatility in the weather and temperature can therefore create unpredictability in activity and utilization rates, which can have a material adverse effect on Petrowest's business, financial condition, results of operations and cash flows and therefore on the amount of cash available for distribution to Unitholders.

Capital Expenditures

Petrowest operates in a capital intensive business. There can be no assurance that the actual capital costs incurred by Petrowest will not be higher than anticipated. In particular, Petrowest is subject to capital costs over which it has little control including, but not limited to, the cost of the equipment required by Petrowest's business. Any material increase in capital costs may materially affect Petrowest's business, financial conditions, results of operations and cash flows, and therefore the amount of cash available for distribution to Unitholders.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. Petrowest cannot predict the impact of changing demand for oil and gas products, and any major changes may have a material adverse effect on Petrowest's business, financial condition, results of operations and cash flows and therefore on the amount of cash available for distribution to Unitholders.

Sources, Pricing and Availability of Equipment and Equipment Parts

Petrowest sources its equipment and equipment parts from a variety of suppliers, most of whom are located in Canada and the United States. Should any of Petrowest's suppliers be unable to provide the necessary equipment or parts or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services or in the time required to find new suppliers could have a material adverse effect on Petrowest's business, financial condition, results of operations and cash flows and therefore on the amount of cash available for distribution to Unitholders.

Economic Dependence

The businesses of Petrowest's operating divisions are, to a large extent, economically dependent on a limited number of key customers. In 2010, 22.3% of the Road and Lease Construction Division's sales were concentrated with its three largest customers. Likewise, the three largest customers of the Transportation and Hauling Division, Civil Services Division and the Heavy Equipment Rentals Division comprised 78.9%, 40.2% and 13.8% of these divisions' sales, respectively. There can be no assurance that Petrowest's relationship with these significant customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, could have a material adverse effect on Petrowest's business, financial condition, results of operations and cash flows and therefore on the amount of cash available for distribution to Unitholders. No customer represents greater than 10% of the Trust's consolidated revenue for the year ended December 31, 2010.

Government Regulation

The operations of Petrowest are subject to a variety of federal, provincial and local laws, regulations, and guidelines, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment, the operation of equipment used in its operations and the transportation of materials and equipment it provides for its clients. Petrowest is currently in substantive compliance with such laws and regulations. It is a key component of Petrowest's business strategy to invest financial and managerial resources to ensure such compliance and Petrowest will continue to do so in the future. Although such expenditures are not considered material to Petrowest's business or the businesses that Petrowest has acquired, such laws or regulations are subject to change. Accordingly, it is impossible for Petrowest to predict the cost or impact of such laws and regulations on its future operations.

Operating Risks and Insurance

Petrowest's operations are subject to hazards inherent in the oil and gas industry, such as equipment defects, malfunction and failures, and natural disasters which result in fires, vehicle accidents, explosions and uncontrollable flows of natural gas or well fluids that can cause personal injury, loss of life, suspension of operations, damage to formations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment. These risks could expose the Trust to substantial liability for personal injury, wrongful death, property damage, loss of oil and gas production, pollution, and other environmental damages. The frequency and severity of such incidents can affect operating costs, insurability and relationships with customers, employees and regulators.

Petrowest continuously monitors its activities for quality control and safety. However, there are no assurances that Petrowest's safety procedures can always prevent such damages. Although Petrowest maintains insurance coverage that it believes to be adequate and customary in the industry, there can be no assurance that such insurance will be adequate to cover Petrowest's liabilities. In addition, there can be no assurance that Petrowest will be able to maintain adequate insurance in the future at rates it considers reasonable and commercially justifiable. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits maintained by Petrowest, or a claim at a time when it is not able to obtain liability insurance, could have a material adverse effect on Petrowest's ability to conduct normal business operations and on its financial condition, results of operations and cash flows and the cash available for distribution to Unitholders.

Agreements and Contracts

Certain of the business operations of Petrowest depend on verbal, performance based agreements with its customer base that are cancelable at any time by either Petrowest or its customers. The key factors, which will determine whether a client continues to use Petrowest are service quality and availability, reliability and performance of equipment used to perform its services, technical knowledge and experience, reputation for safety and competitive price. There can be no assurance that Petrowest's relationship with its key customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, could have a material adverse effect on Petrowest's business, financial condition, results of operations and cash flows and therefore on the cash available for distribution to Unitholders.

Personnel

The successful operation of Petrowest's business will depend upon the abilities, expertise, judgment, discretion, integrity and good faith of its executive officers, general managers, employees and consultants. In addition, the ability of Petrowest to expand its services will depend upon the ability to attract qualified personnel as needed. The demand for skilled oilfield employees is high, and the supply is limited. The executive officers of Petrowest and the general managers of the businesses of the companies acquired by Petrowest have entered into employment or management contracts with Petrowest. However, these agreements may be terminated by the employee or consultant on giving one month's notice. The unexpected loss of Petrowest's key personnel or the general managers of the businesses of the companies acquired by Petrowest, or the inability to retain or recruit skilled personnel could have a material adverse effect on Petrowest's business, financial condition, results of operations and cash flows and therefore on the cash available for distribution to Unitholders.

Competition

Petrowest provides pre-drilling and post-completion services to the northern region of the WCSB, primarily to the field operation locations of oil and gas exploration and production companies located in western Canada. The oilfield service business in which Petrowest operates is highly competitive. To be successful, Petrowest must provide services that meet the specific needs of its clients at competitive prices. The principal competitive factors in the markets in which Petrowest operates are quality of service and availability, reliability and performance of equipment used to perform its services, technical knowledge and experience, reputation for safety and price. Petrowest competes with several regional competitors that are both smaller and larger than it is. These competitors offer similar services in all geographic regions in which Petrowest operates. As a result of competition, Petrowest may be unable to continue to provide its present services or to acquire additional business opportunities, which may affect Petrowest's business, financial condition, results of operations and cash flows and therefore on the cash available for distribution to Unitholders.

Reduced levels of activity in the oil and natural gas industry can intensify competition and result in lower revenue and margins to Petrowest. Variations in the exploration and development budgets of oil and natural gas companies which are directly affected by fluctuations in energy prices, the cyclical nature and competitiveness of the oil and natural gas industry and governmental regulation, will have an effect upon Petrowest's ability to generate revenue and earnings.

Petrowest also provides services related to industrial and civil infrastructure projects which are awarded primarily based on bid proposals and therefore based primarily on price. The entities providing competing bids for these projects can have greater financial resources than the Trust and therefore be able to manage the risk of providing lower pricing. There are also entities with less financial resources than Petrowest which compete for these infrastructure projects that may have lower fixed overhead structures and allow them to offer prices lower than Petrowest.

Credit Risk

A substantial portion of Petrowest's accounts receivable are with customers involved in the oil and gas industry, whose revenues may be impacted by fluctuations in commodity prices. Collection of these receivables could be influenced by economic factors affecting the oil and gas industry.

Foreign Exchange and Interest Rates

Petrowest incurs costs in United States dollars, particularly in relation to equipment and equipment parts purchased from the United States. Accordingly, Petrowest is subject to risk from fluctuations in the rates of currency exchange between the United States dollar and Canadian dollar, and such fluctuations may materially affect Petrowest's business, financial conditions, results of operations and cash flows, and therefore the cash available for distribution to Unitholders. Therefore any change in relevant interest rates may result in a corresponding change in the amount Petrowest pays in relation to financing activities.

Disclosure and Internal Controls

Although Petrowest has taken and will continue to take actions to ensure appropriate internal control and disclosure measures, there are inherent limitations in Petrowest's ability to control all circumstances. Petrowest does not expect that its internal controls and disclosure controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints and the benefit of controls must be relative to their costs. There are always inherent limitations to a control system, which include, but are not limited to, faulty decision-making and simple errors or mistakes. Additionally, controls can be circumvented by individual acts, or by two or more persons acting together, or by management overriding controls. The design of any system of controls is based in part upon assumptions as to the likelihood of future events, and there can be no assurance that any design will succeed in avoiding all error and fraud that may occur under future conditions, particularly those that are unforeseeable.

Risks Relating to an Investment in the Trust

Changes in Tax Laws

There can be no assurance that federal, provincial or foreign tax laws will not be changed in a manner that adversely affects the Trust and the Unitholders. If the Trust ceases to qualify as a "mutual fund trust" under the Tax Act, the income tax treatment of the Unitholders would be materially and adversely different in certain respects.

Income Tax Matters

Effective on January 1, 2011, the Trust became liable to pay the SIFT Tax. The payment of the SIFT Tax will reduce the cash flow of the Trust, thereby reducing the amount available for distributions to Unitholders. The SIFT Tax may also adversely affect the marketability of the Units and the ability of the Trust to undertake financings and acquisitions. Petrowest has examined a number of alternatives available to the Trust to maximize Unitholder value in the face of the legislative changes to the tax treatment of income trusts, which became effective for most trusts that had formed prior to October 31, 2006 on January 1, 2011. Petrowest will continue to examine all available alternatives for the structure of the Trust and can choose to convert to a new structure on a tax-deferred basis until December 31, 2012. If Petrowest decides, in the future, to change the Trust's existing structure, there is no way of determining the potential impact (positively or negatively) that any such change might have on the value or the trading price of the Units or any publicly traded replacement securities.

Investment Eligibility; Mutual Fund Trust Status

There can be no assurance that the Units will continue to be qualified investments for Plans. The Tax Act imposes certain penalties for the acquisition or holding of non-qualified investments.

Further, notwithstanding that the Units may be a "qualified investment" for a trust governed by a tax-free savings account (a "TFSA"), the holders of a TFSA will be subject to a penalty tax on such shares held in the TFSA if such shares are a "prohibited investment" for purposes of section 207.01 of the Tax Act. The Units will be a "prohibited investment" for a TFSA if the holder of the TFSA does not deal at arm's length with the Trust for purposes of the Tax Act or if such holder has a "significant interest" (within the meaning of the Tax Act) in the Trust or any person or partnership with which the Trust does not deal at arm's length for purposes of the Tax Act.

In addition, the Federal budget released on March 22, 2011 included proposals to amend the Tax Act to add rules similar to the "prohibited investment" rules applicable to TFSA's discussed above, so as to apply to beneficiaries or annuitants, as the case may be, of trusts governed by registered retirement savings plans and registered retirement income funds. These proposed rules will apply after March 22, 2011. There can be no assurances that these proposals will be enacted.

In addition, if the Trust were to cease to qualify as a mutual fund trust, Units held by Unitholders that are not residents of Canada would become taxable Canadian property if at any particular time during the 60 month period ending at the time of a disposition of Units, more than 50% of the fair market value of the Units was derived directly or indirectly from one or any combination of: (i) real or immovable property situated in Canada; (ii) Canadian resource properties; (iii) timber resources properties; and (iv) options in respect of interests in, or for civil law rights in, property described in (i) or (iii) above, whether or not the property exists. These non-resident holders would be subject to Canadian income tax on any gains realized on a disposition of Units held by them, subject to the application of any exemption under an income tax convention.

Redemption of Units

It is anticipated that the redemption right associated with Units will not be the primary mechanism for holders of Units to dispose of their Units. Business Notes, which may be distributed *in specie* to Unitholders in connection with a redemption, will not be listed on any stock exchange and no market is expected to develop in such Business Notes. Business Notes will not be qualified investments for trusts governed by Plans.

Nature of Units

The Units do not represent a traditional investment in the energy services sector and should not be viewed by investors as units in the Partnerships or as a direct investment in the Partnerships' business or assets. The Units represent a fractional interest in the Trust. As holders of Units, Unitholders do not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions.

The Trust's primary assets are the Business Units and the Business Notes. The price per Unit is a function of the anticipated distributable income, the underlying assets of the Trust and the Partnerships' ability to effect long-term growth in the value of the business. The market price of Units will be sensitive to a variety of market conditions including, but not limited to, interest rates, commodity prices and the ability of Petrowest to acquire additional assets. Changes in market conditions may adversely affect the trading price of Units.

The Units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act (Canada) and are not insured under the provisions of that Act or any other legislation. Furthermore, the Trust is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Unitholder Limited Liability

The Deed of Trust provides that no Unitholder will be subject to any liability in connection with the Trust or its obligations or affairs and, in the event that a court determines that Unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of, the Unitholder's share of the Trust's assets.

The Deed of Trust provides that all written instruments signed by or on behalf of the Trust must contain a provision to the effect that such obligation will not be binding upon Unitholders personally. Personal liability may arise in respect of claims against the Trust that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability of this nature arising is considered unlikely by the Trust.

The operations of the Trust will be conducted, upon the advice of counsel, in such a way and in such jurisdiction as to avoid as far as possible any material risk of liability on Unitholders for claims against the Trust.

In addition, the *Income Trust Liability Act* (Alberta) was proclaimed in force in Alberta on June 30, 2004. The *Income Trust Liability Act* (Alberta) provides that the beneficiary of a trust that is (a) created by a trust instrument governed by the laws of Alberta, and (b) a reporting issuer as defined in the *Securities Act* (Alberta), is not liable as a beneficiary for any act, default, obligation or liability of the Trustee.

Restrictions on Non-Resident Ownership

Currently, subject to certain exemptions, a trust will not be considered to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents. On September 16, 2004, the Minister of Finance (Canada) released draft amendments to the Tax Act. Under the draft amendments, a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-resident persons or partnerships that are not Canadian partnerships within the meaning of the Tax Act is more than 50.0% of the aggregate fair market value of all the units issued by the trust where more than 10.0% (based on fair market value) of the Trust's property is taxable Canadian property or certain other types of property. If the draft amendments are enacted as proposed, and if, at any time, more than 50.0% of the aggregate fair market value of Units of the Trust were held by

non-residents and partnerships other than Canadian partnerships, the Trust would, unless an exemption were applicable, thereafter cease to be a mutual fund trust. The draft amendments do not currently provide any means of rectifying a loss of mutual fund trust status. On December 6, 2004, the Department of Finance tabled a Notice of Ways and Means Motion which did not include these proposed changes. The Department of Finance indicated that the implementation of the proposed changes would be suspended pending further consultation with interested parties.

The Deed of Trust contains a number of provisions designed to protect the status of the Trust as a "mutual fund trust" under the Tax Act which, inter alia, requires that a mutual fund trust cannot be established or maintained primarily for the benefit of persons who are not resident in Canada for purposes of the Tax Act. If, in the future, Petrowest determines that a risk of losing its mutual fund trust status exists, it is entitled to take a number of actions under the Deed of Trust, including to require Unitholders that it believes are non-residents of Canada to sell their Units, which action may have an adverse effect on the market price of the Units. In addition, there can be no assurances that the Tax Act will not be amended in the future in a manner that would have a material adverse impact on the mutual fund trust status of the Trust.

If the Trust ceases to qualify as a "mutual fund trust" under the Tax Act, the income tax considerations described herein under the heading "*Investment Eligibility; Mutual Fund Trust Status*" would be applicable.

Dependence on Operating Entities

The Trust is an unincorporated, open-ended, limited purpose mutual fund trust established under and governed by the laws of the Province of Alberta pursuant to the Deed of Trust that is entirely dependent upon the operations and assets of the Partnerships through the direct and indirect ownership of the Business Units, the Business Notes and the Partnerships Units, respectively. Accordingly cash distributions to Unitholders will be dependent upon the ability of Petrowest Business Trust and the Partnerships to pay their interest obligations under the Business Notes and Business Units, respectively.

Return of Capital

Cash distributions do not represent a "yield" in the traditional sense as they may represent both return of capital and return on investment.

Changes in Legislation

There can be no assurance that income tax laws and other governmental programs relating to the oil and gas industry and the energy services industry, such as the status of mutual fund trusts, will not be changed in a manner which adversely affects Unitholders.

Future federal legislation, including potential international requirements enacted under Canadian law, as well as provincial emissions reduction requirements, may require the reduction of greenhouse gas or other industrial air emissions, or emissions intensity, from Petrowest's operations. Petrowest is unable to predict the impact of emissions reduction legislation on Petrowest and it is possible that such legislation may have a material adverse effect on its business, financial condition, results of operations and cash flows.

Additional Financing

There is no guarantee that the Trust will be able to secure additional financing for future costs of operations or expansion. Additional financing may not be available, or may not be available on favourable terms. Where additional financing is raised by the issuance of Units or securities convertible into Units, control of the Trust may change and Unitholders may suffer dilution to their investment. The

Trust's activities may also be financed partially or wholly with debt, which may increase the Trust's debt levels above industry standards. The level of the Trust's indebtedness from time to time could impair the Trust's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Statutory Remedies

The Trust is not a legally recognized entity within the relevant definitions of the Bankruptcy and Insolvency Act (Canada), the Companies' Creditors Arrangement Act (Canada) and in some cases, the Winding Up and Restructuring Act (Canada). As a result, in the event a restructuring of the Trust were necessary, the Trust and its stakeholders would not be able to access the remedies and procedures available thereunder.

MARKET FOR SECURITIES

Trading Price and Volume

The Trust Units are available for trading on the TSX under the symbol "PRW.UN".

The following table provides the Trust Unit price trading range and volume of Trust Units traded by month during 2010.

Month	High	Low	Volume
January	0.2118	0.1313	468,049
February	0.1652	0.1313	165,279
March	0.1695	0.1313	432,142
April	0.1652	0.1483	169,730
May	0.1695	0.1483	549,640
June	0.1850	0.1400	1,330,653
July	0.1750	0.1300	9,734,852
August	0.1700	0.1400	199,425
September	0.1700	0.1450	2,588,215
October	0.1500	0.1300	582,269
November	0.1550	0.1300	539,165
December	0.1900	0.1450	1,291,174

Prior Sales

On June 29, 2010, Petrowest completed a rights offering pursuant to which the Trust issued 168,536 Subordinated Units at a subscription price of \$0.14 per Unit.

RECORD OF CASH DISTRIBUTIONS

Cash Distributions

Effective January 22, 2008, the Trust suspended payment of distributions to all Unitholders, and no distributions were declared following that date. There can be no assurance when, or if, distributions will be reinstated. The actual amount of cash that is distributed cannot be assured and future distributions may vary.

For the Trust's policy on distributions to Unitholders and other information about distributions, see "*Information Concerning Petrowest*".

INFORMATION CONCERNING PETROWEST

The Trust

Trust Structure

The Trust is an unincorporated, open-ended, limited purpose mutual fund trust established under and governed by the laws of the Province of Alberta and pursuant to the Deed of Trust. The head and principal office of the Trust is located at Suite 204, 10605 Westside Drive, Grande Prairie, Alberta, T8V 8E6. The Trust was created for, among other things, the following purposes:

- participating in the acquisition of energy services businesses;
- acquiring, investing in, holding, transferring, disposing of and otherwise dealing with, directly or indirectly, any of the securities issued by Petrowest Business Trust, Petrowest Business Trustee, or any of their respective associates, subsidiaries or affiliates thereof and the Business Notes and Business Units, and borrowing funds directly or indirectly for that purpose;
- acquiring, investing in, holding, transferring, disposing of and otherwise dealing with any other securities and in any other investments as the Trustee or the General Partner may determine and borrowing funds directly or indirectly for that purpose;
- temporarily holding cash and short term investments for the purposes of making investments, paying the expenses and liabilities of the Trust, paying amounts payable by the Trust in connection with the redemption of any Units or securities of the Trust, and making distributions to Unitholders;
- issuing Units and other securities of the Trust including securities convertible into, or exchangeable for Units or other securities, obtaining funds to conduct any of the activities of the Trust, completing any acquisition of securities or any other assets for the benefit of the Trust, implementing Unitholder rights plans, distribution reinvestment plans, Trust Unit purchase plans, incentive option plans or other compensation plans, if any, established by the Trustee for the benefit of the Trust; and making non-cash distributions to Unitholders as contemplated by the Deed of Trust including pursuant to distribution reinvestment plans or distribution reinvestment and Trust Unit purchase plans, if any, established by the Trust;
- issuing debt securities (including debt securities convertible into, or exchangeable for, Units or other securities of the Trust), provided recourse shall be limited to the Trust Assets, or otherwise borrowing and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering any of the Trust Assets as security;
- guaranteeing (as guarantor, surety or co-principal obligor) the payment of any indebtedness, liability or obligation of the Petrowest Business Trust, the General Partner or any subsidiary or affiliate thereof, and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering all or any part of the Trust Assets as security for that guarantee, and subordinating its rights under the Business Notes to other indebtedness;
- disposing of any part of the Trust Assets;
- issuing or redeeming rights and Units pursuant to any Unitholder rights plan adopted by the Trust;

- repurchasing, redeeming or otherwise acquiring securities of the Trust, including pursuant to any issuer bid made by the Trust;
- satisfying the obligations, liabilities or indebtedness of the Trust;
- performing all acts necessary, incidental or ancillary to any of the activities set forth above; and
- undertaking such other activities or taking such other actions as shall be approved by the Trustee from time to time;

provided that the Trust shall not undertake any activity, take any action, or make or retain any investment which would result (or fail to take any action where that failure would result) in the Trust not being considered a "unit trust" or a "mutual fund trust" for purposes of the Tax Act.

The Trustee may declare payable to the Unitholders all or any part of the net income of the Trust less all expenses and liabilities of the Trust. It is currently anticipated that the only income to be received by the Trust will be from the securities of the Petrowest Business Trust.

Units

The Trust is authorized to issue an unlimited number of Trust Units, an unlimited number of Subordinated Units and an unlimited number of Special Voting Units.

Trust Units

Prior to the conversion of the Subordinated Units, at the discretion of the Board of Directors, holders of Trust Units will be entitled to receive, in priority to any payments on the Subordinated Units, distributions of \$0.10 per Trust Unit per month and such distributions shall constitute Priority Distributions (as defined below).

Holders of Trust Units are entitled to notice of, and to attend and vote at, all meetings of holders of Units.

Upon the occurrence of a Capital Event (as defined below) or the liquidation, dissolution or winding-up of the Trust or any other distribution of the assets of the Trust for the purpose of winding-up its affairs; (i) the holders of Trust Units will be entitled to receive, on a pro rata basis, from the applicable Capital Event Amount (as defined below) or the assets of the Trust, as applicable, before any distribution therefrom is made to the holders of Subordinated Units, any accumulated but unpaid Priority Distributions; and (ii) the holders of Subordinated Units shall be entitled to receive, on a pro rata basis, from the applicable Capital Event Amount of the assets of the Trust, as applicable after the holders of Trust Units have received a distribution therefrom in an amount equal to any accumulated but unpaid Priority Distributions but before any further distribution therefrom is made to the Priority Unitholder, any accumulated but unpaid Subordinated Distributions. Thereafter any further distributions from the applicable Capital Event Amount or the assets of the Trust, as applicable, to the holders of Units of either class shall be made pro rata and pari passu.

If a Capital Event occurs, the Priority Distributions and Subordinated Distributions will be adjusted as agreed to by the independent directors of the General Partner, using the definition of independence as provided in securities laws.

A "**Capital Event**" means the occurrence of any of the following events: (i) a sale of material assets of the Trust; (ii) the total or constructive total loss, or partial loss, of material assets of the Trust as a result of a casualty; (iii) a compulsory transfer or taking under threat of compulsory transfer by a governmental

authority; or (iv) the occurrence of any event referred to in clauses (i) to (iii) above in relation to any person in which the Trust is a securityholder.

A "**Capital Event Amount**" means, in respect of a particular Capital Event, any amount received by the Trust in respect of such Capital Event, which the Trustee upon the recommendation of the Board of Directors, determines will not be re-deployed or reapplied by the Trust and shall be distributed to Unitholders.

Subordinated Units

Distributions on the Subordinated Units will be subordinated in favour of Trust Units. Distributions on the Subordinated Units will only be paid at the end of a fiscal quarter to the extent that: (i) the Trust has paid distributions per month of at least \$0.10 per Trust Unit (the "**Priority Distributions**") to holders of Trust Units during that quarter, and (ii) any deficiency in such distributions to holders of Trust Units during the preceding 12 months has been satisfied, as described below. If these targets are not satisfied, any deficiency will be borne by holders of the Subordinated Units, distributions on which will be reduced to the extent necessary to support the continued payment of Priority Distributions on the Trust Units and any applicable deficiency in such distributions.

Distributions on the Trust Units will be cumulative, such that the amount of any deficiency in the Priority Distributions will accumulate for a period of 12 months. Payments of deficiencies in the Priority Distributions will be made in priority to distributions on the Subordinated Units. Any such accumulated deficiency not satisfied by a distribution by the Trust within 12 months of the date it arose will cease to be payable (i.e., distributions on the Subordinated Units will not be reduced to fund such accumulated deficiency to the extent that some or all of such accumulated deficiency arose more than 12 months before the date on which such payment is to be made).

Following payment of the Priority Distributions and any deficiency in the Priority Distributions accumulated during the preceding 12 months, holders of Subordinated Units will be entitled to a distribution in an amount equal to \$0.10 per Subordinated Unit per month (the "**Subordinated Distributions**"), such amount to be accumulated and paid at the end of each fiscal quarter.

Deficiencies in payment of Subordinated Distributions shall be accumulated and paid in a subsequent quarter in respect of such Distribution Periods, but only after payment of the Priority Distributions in respect of such Distribution Periods, any deficiency in Priority Distributions accumulated during the preceding 12 months and the Subordinated Distributions in respect of such subsequent Distribution Periods, and provided that any accumulated unpaid portion or deficiency on Subordinated Distributions not satisfied by a distribution by the Trust within 12 months of the date such unpaid portion or deficiency arose shall cease to be payable.

After payment of all Priority Distributions and Subordinated Distributions (including any unpaid Priority Distributions and Subordinated Distributions accumulated during the preceding 12 months), distribution of Distributable Cash shall be made to Unitholders pro rata and *pari passu*.

Holders of Subordinated Units are entitled to notice of, and to attend and vote at, all meetings of holders of Units.

Special Voting Units

In order to allow the Trust flexibility in pursuing corporate acquisitions, the Deed of Trust allows for the creation of Special Voting Units which will enable the Trust to provide voting rights to holders of exchangeable securities that may be issued by the Corporation or other direct or indirect subsidiaries of the Trust in connection with exchangeable share transactions.

An unlimited number of Special Voting Units may be created and issued pursuant to the Deed of Trust. Holders of Special Voting Units shall not be entitled to any distributions of any nature whatsoever from the Trust and shall be entitled to such number of votes at meetings of Unitholders as may be prescribed by the Trustee or the Board of Directors in the resolution authorizing the issuance of any Special Voting Units. Except for the right to vote at meetings of the Unitholders, the Special Voting Units shall not confer upon the holders thereof any other rights.

Consolidated Capitalization

As of December 31, 2010, there were 85,357,742 Trust Units, 1,328,536 Subordinated Units and no Special Voting Units issued and outstanding.

Exchange Right

Holders of Subordinated Units have the right to convert into Trust Units on a one-for-one basis at any time after (and the subordination provisions will only apply until) the end of the first fiscal year ending on or after December 31, 2008 where the Trust has earned EBITDA (derived from audited financial statements) of at least \$47.0 million (the "**EBITDA Target**") and the Trust has paid distributions of at least \$1.20 per Trust Unit (the "**Distribution Target**") for such fiscal year. For the purposes of the subordination provisions, EBITDA will be calculated and adjusted in a manner consistent with the definition of EBITDA set forth in this AIF. See "*Non-GAAP Measures*".

Approvals

All Trust Unit Veto Matters (as defined below) and Subordinated Unit Veto Matters (as defined below) must be approved by a special resolution and by ~~60~~ 75% of the holders of Trust Units or Subordinated Units, as applicable, voted in respect of the matter.

A "**Trust Unit Veto Matter**" means a proposal to implement any of the following: (i) adding, changing or removing the rights, privileges, restrictions or conditions attaching to the Trust Units; unless such proposal makes a similar addition, change or removal to the rights, privileges, restrictions or conditions attaching to the Subordinated Units; and (ii) amending the Deed of Trust in any manner materially adverse to a holder of Trust Units that is not similarly adverse to a holder of Subordinated Units.

A "**Subordinated Unit Veto Matter**" means a proposal to implement any of the following: (i) adding, changing or removing the rights, privileges, restrictions or conditions attaching to the Subordinated Units; unless such proposal makes a similar addition, change or removal to the rights, privileges, restrictions or conditions attaching to the Trust Units; and (ii) amending the Deed of Trust in any manner materially adverse to a holder of Subordinated Units that is not similarly adverse to a holder of Trust Units.

The Deed of Trust also provides that the Trust will not, subject to certain exceptions: (a) issue or distribute additional Trust Units or rights to subscribe therefor or other property or assets to all or substantially all of the holders of Trust Units, nor subdivide, reduce, consolidate, reclassify or otherwise change the rights, privileges or other terms of the Trust Units, unless the same or an equivalent distribution on, or change to, the Subordinated Units (or in the rights of the holders thereof) is made simultaneously; or (b) issue or distribute additional Subordinated Units or rights to subscribe therefor or other property or assets to all or substantially all of the holders of Subordinated Units, nor subdivide, reduce, consolidate, reclassify or otherwise change the rights, privileges or other terms of the Subordinated Units, unless the same or an equivalent distribution on, or change to the Trust Units (or in the rights of the holders thereof) is made simultaneously.

The Trust Units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act (Canada) and are not insured under the provisions of that Act or any other

legislation. Furthermore, the Trust is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Unitholder Limited Liability

The Deed of Trust provides that no Unitholder, in its capacity as such, shall incur or be subject to any liability, direct or indirect, absolute or contingent, in contract or in tort or of any other kind to any Person in connection with: (i) the Trust Assets or the ownership, use, operation, acquisition or disposition thereof or exercise or enjoyment of the rights, privileges, conditions or benefits attached thereto, associated therewith or derived therefrom; (ii) the obligations or the activities or affairs of the Trust; (iii) any actual or alleged act or omission of the Trustee or by any other Person in respect of the activities or affairs of the Trust (whether or not authorized by or pursuant to the Deed of Trust); (iv) any act or omission of the Trustee or any other Person in the performance or exercise, or purported or attempted performance or exercise, of any obligation, power, discretion or authority conferred upon the Trustee or such other Person in respect of the activities or affairs of the Trust (whether or not authorized by or pursuant to the Deed of Trust); (v) any transaction entered into by the Trustee or by any other Person in respect of the activities or affairs of the Trust (whether or not authorized by or pursuant to the Deed of Trust); or (vi) except as provided in the Deed of Trust, any taxes, levies, imposts or charges or fines, penalties or interest in respect thereof payable by the Trust or by the Trustee or by any other Person on behalf of or in connection with the activities or affairs of the Trust. The Deed of Trust also provides that no Unitholder, in its capacity as a Unitholder, shall be liable to indemnify the Trustee or any other person with respect to any liabilities of the Trust. Notwithstanding the foregoing, to the extent that any Unitholder, in its capacity as such, is found by a court of competent jurisdiction to be subject to or liable in respect of any such liability, the Deed of Trust provides that such liability shall be enforceable only against, and shall be satisfied only out of, that Unitholder's share of the Trust Assets represented by its Units.

The Deed of Trust further provides that all contracts signed by or on behalf of the Trust shall include a provision to the effect that such obligation will not be binding upon Unitholders personally. Notwithstanding the terms of the Deed of Trust, Unitholders may not be protected from liabilities of the Trust to the same extent a shareholder is protected from the liabilities of a corporation. Personal liability may also arise in respect of claims against the Trust (to the extent that claims are not satisfied by the Trust) that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability to Unitholders of this nature arising is considered remote. In addition, the *Income Trust Liability Act* (Alberta) provides that the beneficiary of a trust that is (a) created by a trust instrument governed by the laws of Alberta, and (b) a reporting issuer, as defined in the *Securities Act* (Alberta), is not liable as a beneficiary for any act, default, obligation or liability of the trustees of the trust.

Issuance of Units

The Deed of Trust provides that Units including installment receipts, subscription receipts, rights, warrants, special warrants or options to subscribe for Units or debt instruments that are convertible into or exchangeable for Units, may be created and issued on such terms and conditions and at such time or times as the Trustee or the Board of Directors may determine.

Cash Distributions

Subject to the subordination of the Subordinated Units the Trustee shall, upon the recommendation of the General Partner, on or before each Distribution Record Date, declare payable to the Unitholders of record on such Distribution Record Date, all of the Distributable Cash of the Trust for the Distribution Period. The proportionate share of each Unit of the amount of such Distributable Cash shall be determined by dividing such amount by the number of issued and outstanding Units on such Distribution Record Date.

In addition, the Trustee may, upon the recommendation of the General Partner, declare to be payable and make distributions to Unitholders, from time to time, out of the income of the Trust, net realized capital gains, the capital of the Trust or otherwise.

Redemption Right

Each Unitholder is entitled to require the Trust to redeem, at any time and from time to time, at the demand of the Unitholder, all or any part of the Units registered in the name of the Unitholder, upon delivery to the Trust of the certificate or certificates representing such Units, accompanied by a duly completed and properly executed notice requiring redemption. If a global unit certificate has been issued by the Trust, notice must also be provided to the Canadian Depository for Securities Limited. Upon receipt by the Trust of the notice to redeem Units, the holder thereof shall cease to have any rights with respect to the Units tendered for redemption other than to receive a price per Unit equal to:

- (a) in the case of a Trust Unit, the lesser of: (i) 95.0% of the "market price" of the Units on the principal exchange or market on which the Trust Units are quoted for trading during the 10 consecutive trading day period ending on the trading day immediately prior to the date on which the Units are tendered for redemption; and (ii) 100% of the "closing market price" on the principal exchange or market on which the Trust Units are quoted for trading on the date that the Trust Units are so tendered for redemption (the "**Cash Redemption Price**"); and
- (b) in the case of a Subordinated Unit (i) prior to the date the holders of Subordinated Units have the right to convert to Trust Units, a portion of the Cash Redemption Price in respect of such Subordinated Unit (the "**Subordinated Redemption Price**") calculated pursuant to the following formula:

$$SRP=R*A/B$$

SRP means the Subordinated Redemption Price.

R = the Cash Redemption Price (determined as if the Subordinated unit was a Trust Unit);

A = the number of quarters in which the Trust has met the quarterly EBITDA Target and Distribution Target while the Subordinated Units have been outstanding;

B = for the period from the Closing Date until December 31, 2008: 10; and

for the period after December 31, 2008: 10 plus the number that is 4 multiplied by the number of completed fiscal years after December 31, 2007,

provided that if A = nil or the Subordinated Redemption Price as calculated above would be less than \$3.00, the Subordinated Redemption Price shall be the lesser of \$3.00 and the Cash Redemption Price; and (ii) following the date the holders of Subordinated Units have the right to convert to Trust Units, the Cash Redemption Price.

For the purposes of this calculation, "market price" will be an amount equal to the simple average of the closing price of the Trust Units on the principal exchange or market on which the Trust Units are listed and posted for trading for each of the trading days on which there was a closing price; provided that, if the applicable exchange or market does not provide a closing price; but only provides the highest and lowest prices of the Trust Units traded on a particular day, the market price shall be an amount equal to the simple average of the highest and lowest prices for each of the trading days on which there was a trade;

provided further that if there was trading on the applicable exchange or market for fewer than five of the 10 trading days, the "market price" shall be the simple average of the following prices established for each of the 10 trading days: the average of the last bid and last ask prices for each day on which there was no trading; the closing price of the Trust Units for each day that there was trading if the exchange or market provides a closing price; and the average of the highest and lowest prices of the Trust Units for each day that there was trading, if the exchange or market provides only the highest and lowest prices of Trust Units traded on a particular day; and provided further that if, in the opinion of the Board of Directors, the trading activity of the Trust Units for the relevant period does not result in a trading price that represents the fair market value of a Trust Unit, the "market price" shall be an amount determined by the General Partner in good faith in its sole discretion and provided further that any such determination by the General Partner shall be conclusive and binding. The "closing market price" shall be an amount equal to the closing price of a Trust Unit on the applicable exchange or market if there was a trade on that date and the applicable exchange or market provides a closing price; an amount equal to the simple average of the highest and lowest trading prices of a Trust Unit if there was trading and the exchange or other market provides only the highest and lowest prices of a Trust Unit traded on a particular day; or the simple average of the last bid and last ask prices if there was no trading on the specified date.

The Cash Redemption Price or Subordinated Redemption Price payable in respect of any Units surrendered for redemption during any calendar month shall be paid by cheque no later than the last day of the calendar month following the month in which the Units were surrendered for redemption. The entitlement of Unitholders to receive a cheque upon the redemption of their Units is subject to the limitation that the total amount payable by the Trust in respect of such Units and all other Units tendered for redemption in the same calendar month shall not exceed \$100,000 provided that, the Trustee may, in its sole discretion, waive such limitation in respect of any calendar month. If this limitation is not so waived, the Cash Redemption Price and Subordinated Redemption Price payable in respect of Units tendered for redemption in such calendar month shall be paid on the last day of the calendar month following such month as follows: (i) firstly, a cash payment by the Trust to the extent applicable; and (ii) secondly, by a distribution of Series 2 Business Notes in a principal amount equal to the remainder.

The entitlement of each Unitholder to require the Trust to redeem Units for cash will not be applicable to Units tendered for redemption where at the time the Trust Units are tendered for redemption, the outstanding Trust Units are not listed on any exchange or market which the General Partner considers in its sole discretion, provides representative fair market value prices for the Units or the normal trading of the outstanding Units is suspended or halted on the redemption date or for more than five trading days during the 10 consecutive trading day period ending on the trading day immediately prior to the redemption date.

It is anticipated that this redemption right will not be the primary mechanism for holders of Units to dispose of their Units. Securities held by the Trust which may be distributed in specie to Unitholders in connection with a redemption will not be listed on any stock exchange and no market is expected to develop in such securities. Securities held by the Trust may not be qualified investments for trusts governed by Plans.

Non-Resident Unitholders

At no time may Non-Residents be the beneficial owners of more than 49.0% of the Units, on a basic and fully-diluted basis, then outstanding. The Trustee or the General Partner may require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the Trustee or the General Partner becomes aware that the beneficial owners of 49.0% of the Units (or rights to acquire Units) then outstanding are, or may be, Non-Residents or that such a situation is imminent, the Trustee or the General Partner may make a public announcement thereof and shall not accept a subscription for Units from or issue or register a transfer of Units to a Person unless the Person provides a declaration that the Person is not a Non-Resident. If, notwithstanding the foregoing, the Trustee or the General Partner determines that

more than 49.0% of the Units are held by Non-Residents, the Trustee or the General Partner may send a notice to Non-Resident holders of Units, chosen in inverse order to the order of acquisition or registration or in such other manner as the Trustee or the General Partner may consider equitable and practicable, requiring such Non-Resident holders to sell their Units or a specified portion thereof within a specified period of not more than 60 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Trustee or the General Partner with satisfactory evidence that they are not Non-Residents within such period, the Trustee may, on recommendation of the General Partner on behalf of such Unitholders, cause such Units to be sold and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale, the affected Unitholders shall cease to be holders of the relevant Units and their rights shall be limited to receiving the net proceeds of sale upon surrender of the certificates representing such Units. No liability shall accrue to the Trust, the Trustee or the General Partner if the Units of Non-Resident Unitholders are sold at a loss to such Unitholder. Notwithstanding the foregoing, the Trustee and the General Partner, as the case may be, shall not enforce such restriction if a legal opinion, advanced tax ruling, Department of Finance comfort letter or any combination thereof has been received and based on such opinion and/or documentation the Trustee and/or the General Partner, as the case may be, is of the view, acting reasonably, that the failure to enforce such provisions will not result in the Trust ceasing to be a "mutual fund trust" for the purposes of the Tax Act.

Meetings of Unitholders

The Deed of Trust provides that annual meetings of Unitholders shall be called on or before June 30 in each year or otherwise as required by applicable laws, at a time and at a place in Canada set by the General Partner. The business transacted at such meetings shall include the presentation of the consolidated audited financial statements of the Trust for the immediately preceding fiscal year, the authorizing and directing of the passing of a resolution of the Trust for the election of Directors for the ensuing year, the appointment of the auditors of the Trust for the ensuing year and the transaction of such other business as may be properly brought before the meeting.

A meeting of Unitholders may be convened at any time and for any purpose by the Trustee and must be convened, except in certain circumstances, upon a written request of the holders of not less than 5.0% of the Units then outstanding and entitled to be voted. A requisition must, among other things, specify in reasonable detail the purpose or purposes for which the meeting is to be called.

Unitholders may attend and vote at all meetings of voting Unitholders either in person or by proxy and a proxyholder need not be a Unitholder. Two or more individuals present in person either holding personally or representing as proxies not less in aggregate than 5.0% of the outstanding Units shall constitute a quorum for the transaction of business at all such meetings.

The Deed of Trust contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Unitholders in accordance with the requirements of applicable laws.

Reporting to Trust Unitholders

The financial statements of the Trust will be audited annually by an independent recognized firm of chartered accountants which has an office in Canada. The consolidated audited financial statements of the Trust, together with the comparative consolidated financial statements for the preceding year, if any, and the report of the auditors, will be mailed by the Trustee to Unitholders at least 21 days prior to the date of each annual meeting of Unitholders and, in any event, on or before any earlier date prescribed by applicable securities laws. The unaudited quarterly consolidated financial statements of the Trust for each fiscal quarter, together with comparative consolidated financial statements for the same fiscal quarter in the preceding fiscal year, if any, will be mailed by the Trustee to Unitholders within 45 days after the end

of such fiscal quarter and, in any event, on or before any earlier date prescribed by applicable securities laws. The year-end of the Trust shall be December 31.

The Trust will be subject to the continuous disclosure obligations under all applicable securities laws.

Takeover Bids

The Deed of Trust contains provisions to the effect that if a takeover bid is made for the Units and not less than 90.0% of the Units (other than Units held at the date of the takeover bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by Trust Unitholders who did not accept the takeover bid on the terms offered by the offeror.

The Trustee

Valiant Trust Company is the trustee of the Trust. The Trustee is responsible for, among other things, accepting subscriptions for Units and issuing Units pursuant thereto and maintaining the books and records of the Trust and providing timely reports to Unitholders. The Deed of Trust provides that the Trustee shall exercise its powers and carry out its functions thereunder as Trustee honestly and in good faith with a view to the best interests of the Trust and the Unitholders and, in connection therewith, shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The Trustee may resign on giving not less than 90 days' notice in writing to the General Partner (or such shorter notice as the General Partner may agree to). The Trustee may also be removed by ordinary resolution of the Unitholders. Such resignation or removal shall not become effective until (a) the approval by ordinary resolution at a meeting of Unitholders called for that purpose, (b) the appointment of, and acceptance of such appointment by, a new Trustee in the place of the resigning Trustee or the Trustee to be removed, and (c) an assumption by the new Trustee of all obligations of the Trustee related thereto in the same capacities as the resigning Trustee or the Trustee to be removed.

Delegation of Authority, Administration and Trust Governance

The Trust is managed by the management of the General Partner. The Trustee, on behalf of the Trust, has entered into the Administration Agreement pursuant to which the General Partner provides certain administrative services and facilities to the Trust.

The Trustee may grant broad discretion to the General Partner to administer and manage the day-to-day operations of the Trust, to act as agent for the Trust, to execute documents on behalf of the Trust and to make executive decisions for and on behalf of the Trust.

Liability of the Trustee

Neither the Trustee nor any of its directors, officers, employees, shareholders or agents shall be liable to any Unitholder for any action taken or not taken in good faith in reliance on any documents that are, prima facie, properly executed; and depreciation of, or loss to, the Trust incurred by reason of the sale of any asset; the loss or disposition of monies or securities; or any other action or failure to act including, without limitation, the failure to compel in any way any former trustee to redress any breach of trust or any failure by the General Partner or any other Person to perform the duties delegated to it under the Deed of Trust or under the Administration Agreement or any failure by the General Partner to pay monies owed to the Trust, unless and to the extent such liabilities arise principally and directly due to the gross negligence, wilful default or fraud of the Trustee or any of its directors, officers, employees, shareholders or agents or a breach by the Trustee of a restriction of the powers granted to it under the Deed of Trust. If

the Trustee has retained an appropriate expert, advisor or legal counsel with respect to any matter connected with its duties under the Deed of Trust, the Trustee may act or refuse to act (provided it is done in good faith) based on the advice of such expert, advisor or legal counsel, and the Trustee shall not be liable for any action or refusal to act based on the advice of any such expert, advisor or legal counsel that it is reasonable to conclude is within the expertise of such expert, advisor or legal counsel to give. In the exercise of the powers, authorities or discretion conferred upon the Trustee under the Deed of Trust, the Trustee is and shall be conclusively deemed to be acting as trustee of the Trust Assets and shall not be subject to any personal liability for any debts, liabilities, obligations, claims, demands, judgments, costs, charges or expenses against or with respect to the Trust. In addition, the Deed of Trust contains other customary provisions limiting the liability of the Trustee.

Amendments to the Deed of Trust

The Deed of Trust may be amended or altered from time to time by special resolution of the Unitholders, provided that the Trustee may, without the consent, approval or ratification of any of the Unitholders or any other Person, amend the Deed of Trust for the purpose of:

- (a) ensuring the Trust's continuing compliance with applicable laws (including the Tax Act), regulations, requirements or policies of any governmental agency or authority having jurisdiction over the Trustee or the Trust;
- (b) making amendments which, in the opinion of the Trustee, provide additional protection or added benefits for the Unitholders;
- (c) removing any conflicts or inconsistencies in the Deed of Trust or making minor changes or corrections including the correction or rectification of any ambiguities, defective provisions, errors, mistakes or omissions, which are, in the opinion of the Trustee, necessary or desirable and not prejudicial to the Unitholders;
- (d) making amendments which, in the opinion of the Trustee, are necessary or desirable in the interests of the Unitholders as a result of changes in taxation laws or policies of any governmental agency or authority having jurisdiction over the Trustee or the Trust;
- (e) for any purpose (except one in respect of which a vote by Unitholders is specifically otherwise required) if the Trustee is of the opinion that the amendment is not prejudicial to Unitholders and is necessary or desirable; or
- (f) to provide for the electronic delivery by the Trust to the Unitholders of documents relating to the Trust (including annual and quarterly reports and financial statements and proxy-related materials) in accordance with applicable laws from time to time,

but, notwithstanding the foregoing, no such amendment shall be adopted which causes the Trust to fail to qualify as a "mutual fund trust" under the Tax Act, without the consent of the Unitholders given as set out above. In addition, no such amendment shall modify the right to one vote per Unit or reduce the undivided interest in the Trust Assets represented by any Unit without the consent of the holder of such Unit and no amendment shall reduce the percentage of votes required to be cast at a meeting of the Unitholders for the purpose of amending the Deed of Trust or altering the acquisition provisions of the Deed of Trust without the unanimous consent of the Unitholders.

Termination of the Trust

The Unitholders may vote to terminate the Trust by special resolution at any meeting of the Unitholders duly called for that purpose.

Unless the Trust is earlier terminated by vote of the Unitholders, the Trust shall continue for a term ending 21 years after the date of death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on July 6, 2006. In the event that the Trust is wound-up, the Trustee will sell and convert into money all Trust Assets in one transaction or in a series of transactions at public or private sales and do all other acts appropriate to liquidate the Trust, and shall in all respects act in accordance with the directions, if any, of the Unitholders. If the Trustee is unable to sell all or any of the securities or other assets comprising the Trust Assets by the date set for termination, the Trustee may distribute the remaining securities or assets directly to the Unitholders. After paying, retiring or discharging or making provision for the payment, retirement or discharge of all known liabilities and obligations of the Trust and providing for indemnity against any other outstanding liabilities and obligations, the Trustee shall distribute the remaining part of the proceeds of the sale of the securities and other assets together with any cash forming part of the Trust Assets among the Unitholders in accordance with their pro rata share.

Restrictions on Trustee's Powers

The Trustee may not under any circumstances whatsoever authorize:

- (a) any amalgamation, arrangement or other merger of the Petrowest Business Trust, the Business Trustee, the General Partner or Acquisitionco or any subsidiary thereof with any other Person, other than any amalgamation, arrangement or other merger of the General Partner with one or more direct or indirect wholly-owned subsidiaries of the Trust or in conjunction with an internal reorganization with an affiliate or subsidiary of the General Partner;
- (b) any sale or disposition of any common shares of the General Partner or Business Notes held by the Trust or any other sale, lease or exchange of all or substantially all of the Trust Assets, except pursuant to an in specie redemption, pursuant to any security granted under the Deed of Trust, pursuant to any internal reorganization as a result of which the Trust has the same interest, whether direct or indirect, in the assets of the trust as the interest, whether direct or indirect, that it had prior to the reorganization or where any such sale, lease or exchange is effected between or among the Trust and any one or more of:
 - (i) the General Partner;
 - (ii) any other corporation, partnership, firm or other form of entity or organization that is directly or indirectly wholly-owned by the Trust;
 - (iii) any trust or trusts, the sole beneficiaries of which are the Trust and/or any of the Persons referred to above; and
 - (iv) any partnership, the only partners of which are Persons referred to above;
- (c) any sale, lease or exchange of all or substantially all of the assets of the General Partner or any subsidiary thereof, except pursuant to any security granted by the General Partner or the Partnerships, pursuant to any internal reorganization with an affiliate or subsidiary of the General Partner or the Partnerships, or where any such sale, lease or exchange is effected between or among any one or more of:
 - (i) the Trust;
 - (ii) the General Partner;

- (iii) any other corporation, partnership, firm or other form of entity or organization that is directly or indirectly wholly-owned by the Trust;
- (iv) any trust or trusts, the sole beneficiaries of which are the Trust and/or any of the Persons referred to above; and
- (v) any partnership, the only partners of which are Persons referred to above;
- (d) any amendment to the articles of the General Partner to change its authorized share capital or otherwise amend its constating documents in a manner which may be prejudicial to the Trust;
- (e) for so long as there are any Subordinated Units outstanding, the issuance and distribution of additional Trust Units or rights to subscribe therefor or other property or assets to all or substantially all of the holders of Trust Units, or the subdivision, reduction, consolidation, reclassification of, or other change to, the rights, privileges or other terms of the Trust Units, unless the same or an equivalent distribution on, or change to the Subordinated Units (or in the rights of the holders thereof) is made simultaneously; or
- (f) for so long as there are any Trust Units outstanding, the issuance and distribution of additional Subordinated Units or rights to subscribe therefor or other property or assets to all or substantially all of the Subordinated Unitholders, or the subdivision, reduction, consolidation, reclassification of, or other change to, the rights, privileges or other terms of the Subordinated Units, unless the same or an equivalent distribution on, or change to the Trust Units (or in the rights of the holders thereof) is made simultaneously;

in each case, without the approval of the Unitholders by special resolution at a meeting of Unitholders called for that purpose.

The General Partner

The General Partner is a corporation incorporated under the ABCA and a direct wholly-owned subsidiary of Petrowest Business Trust. The General Partner is Petrowest Energy Services General Partner Ltd.

The General Partner provides administrative and managerial services to the Trust and will provide such services to Petrowest Business Trust, pursuant to the Administration Agreement. See "*Material Contracts – Administration Agreement*".

The General Partner, in its capacity as general partner of the Partnerships, is responsible for the management of the Partnerships. See "*Information Concerning Petrowest – The Partnerships*".

Petrowest Energy Services Business Trust

The Business Deed of Trust contains provisions substantially similar to those of the Deed of Trust. The principal differences between the Petrowest Business Deed of Trust and the Deed of Trust are those described below. The description below is a summary and is qualified entirely by the complete provisions of the Petrowest Business Deed of Trust. A copy of the Petrowest Business Deed of Trust is available via the internet at www.sedar.com.

General

Petrowest Business Trust is an unincorporated, open-ended, limited purpose mutual fund trust established under and governed by the laws of the Province of Alberta pursuant to the Business Deed of Trust. It is a limited purpose trust and its activities will be restricted to, among other things:

- (a) participating in the acquisition of energy service businesses;
- (b) acquiring, investing in, holding, transferring, disposing of and otherwise dealing with, directly or indirectly, in any of securities issued by the Partnerships including investing in securities of the Partnerships' subsidiaries and borrowing funds for that purpose;
- (c) investing in any other securities and in any other investments as the General Partner or Business Trustee may determine and borrowing funds for that purpose;
- (d) temporarily holding cash in interest bearing accounts and short-term investments for the purposes of making investments, paying the expenses and the liabilities of the Petrowest Business Trust, paying amounts payable by the Petrowest Business Trust in connection with the redemption of any Business Units or other securities of the Petrowest Business Trust and making distributions to holders of Business Units;
- (e) issuing Business Units or securities convertible into or exchangeable for Business Units for the purpose of obtaining funds to conduct any of the activities of the Petrowest Business Trust, completing any acquisition of securities or any other assets for the benefit of the Petrowest Business Trust;
- (f) issuing debt securities, including the Business Notes, provided recourse shall be limited to the assets of the Petrowest Business Trust (including debt securities convertible into or exchangeable for Petrowest Business Trust Units or other securities of the Petrowest Business Trust) or otherwise borrowing and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering any of the assets of the Petrowest Business Trust as security;
- (g) guaranteeing (as guarantor, surety or co-principal obligor) the payment of any indebtedness, liability or obligation of the Partnerships or the General Partner, or any of their direct or indirect subsidiaries, and mortgaging, pledging, charging, granting a security interest in or otherwise encumbering all or any part of the assets of the Petrowest Business Trust, including securities issued by the Partnerships or the General Partner or any direct or indirect subsidiary, as security for that guarantee;
- (h) disposing of any part of the assets of the Petrowest Business Trust;
- (i) repurchasing, redeeming or otherwise acquiring securities of the Petrowest Business Trust, including pursuant to any issuer bid made by the Petrowest Business Trust;
- (j) satisfying the obligations, liabilities or indebtedness of the Petrowest Business Trust;
- (k) performing all acts necessary, incidental, ancillary or related to any of the foregoing; and
- (l) undertaking such other activities or taking such other actions to conduct the business of the Petrowest Business Trust as shall be approved by the Business Trustee from time to time.

As at the date hereof, the Petrowest Business Trust does not intend to hold securities of any entities other than shares of Acquisitionco and the General Partner and partnership interests in the Partnerships, except in connection with its short-term cash management.

Exercise of Voting Rights Attached to Common Shares of the General Partner

The Business Deed of Trust provides that the unitholder of Petrowest Business Trust, namely the Trust, is entitled to pass an ordinary resolution directing the Business Trustee as to the persons to be elected to the Board of Directors for the ensuing year.

Restrictions on the Powers of the Trustee of Petrowest Business Trust

The Petrowest Business Deed of Trust states that the Business Trustee may not, without approval by special resolution of the holders of Business Units, authorize or vote the securities held by it to authorize:

- (a) any amalgamation, arrangement or other merger of the General Partner, Acquisitionco or the Partnerships with any other Person, except with one or more direct or indirect wholly-owned subsidiaries of the Petrowest Business Trust or the Trust or in conjunction with an internal reorganization with an affiliate or subsidiary of the Partnerships or the Petrowest Business Trust;
- (b) the winding-up or dissolution of the Partnerships prior to the end of the term of the Petrowest Business Trust, except in conjunction with an internal reorganization with an affiliate or subsidiary of the Partnerships or the Petrowest Business Trust;
- (c) any sale, lease or exchange of all or substantially all of the assets of the Petrowest Business Trust, except pursuant to any security granted by the Petrowest Business Trust or to any internal reorganization of the direct or indirect assets of the Petrowest Business Trust as a result of which the Petrowest Business Trust has the same interest, whether direct or indirect, in the assets as the interest, whether direct or indirect, that it had prior to the reorganization or where any such sale, lease or exchange is effected between or among the Petrowest Business Trust and any one or more of:
 - (i) the Trust;
 - (ii) the Partnerships;
 - (iii) any other corporation, partnership, firm or other form of entity or organization that is directly or indirectly wholly-owned by the Petrowest Business Trust or the Trust;
 - (iv) any trust or trusts, the sole beneficiaries of which are the Trust and/or any of the Persons referred to in (i) through (iii) above; and
 - (v) any partnership, the only partners of which are Persons referred to in (i) through above; or
- (d) any sale, lease or exchange of all or substantially all of the assets of the Partnerships except pursuant to any security granted by the Partnerships, except pursuant to any internal reorganization with an affiliate or subsidiary of the Trust, the Petrowest Business Trust or the Partnerships, or where any such sale, lease or exchange is effected between or among any one or more of:
 - (i) the Trust;

- (ii) the Petrowest Business Trust;
- (iii) the Partnerships;
- (iv) any other corporation, partnership, firm or other form of entity or organization that is directly or indirectly wholly-owned by the Trust, the Petrowest Business Trust or the Partnerships;
- (v) any trust or trusts, the sole beneficiaries of which are the Petrowest Business Trust and/or any of the Persons referred to in (i) through (iv); and
- (vi) any partnership, the only partners of which are Persons referred to in (i) through above.

Redemption Right

The Business Units are redeemable at any time on demand by the holders thereof upon delivery to the Petrowest Business Trust of a duly completed and properly executed notice requiring the Petrowest Business Trust to redeem the Business Units, in a form reasonably acceptable to the Business Trustee, together with the certificates representing the Business Units to be redeemed and written instructions as to the number of Business Units to be redeemed. Upon tender of Business Units by a holder thereof for redemption, the holder of the Business Units tendered for redemption will no longer have any rights with respect to such Business Units other than the right to receive the redemption price for such Business Units. The redemption price for each Business Unit tendered for redemption will be equal to:

$$\frac{(A \times B) - C}{D}$$

Where:

- A = the cash redemption price per Unit calculated as of the close of business on the Redemption Date in accordance with the terms of the Deed of Trust;
- B = the aggregate number of Units outstanding as of the close of business on the Redemption Date;
- C = the aggregate unpaid principal amount and accrued interest thereon of the Business Notes and any other indebtedness of the Petrowest Business Trust held by or owed to the Trust and the fair market value of any other assets or investments held by the Trust (other than Business Notes or Business Units) as of the close of business on the Redemption Date; and
- D = the aggregate number of Business Units outstanding held by the Unitholders as of the close of business on the Redemption Date.

The Business Trustee will also be entitled to call for redemption, at any time, all or part of the outstanding Business Units registered in the name of the holders thereof other than the initial unit of the Petrowest Business Trust at the same redemption price as described above for each Petrowest Business Trust Unit called for redemption, calculated with reference to the date the Business Trustee approved the redemption of Business Units.

Distributions

The Petrowest Business Trust intended to make monthly cash distributions to the Trust of its available cash, after satisfaction of its interest obligations, if any, and less any estimated cash amounts required for costs, expenses, liabilities, obligations or other amounts of the Petrowest Business Trust, any cash

redemptions or repurchases of Business Units, Business Notes or other securities of the Petrowest Business Trust, amounts retained to comply with limits or restrictions in loan agreements, allowances for contingencies in working capital, investments or acquisitions, any amount determined to be appropriate to retain for a reserve to stabilize distributions and income tax liability. Such distributions will be paid on or before the 15th day of the month following the end of the distribution period and are intended to be received by the Trust prior to its related cash distribution to Trust Unitholders.

The distribution declared in respect of the month ending December 31 in each year will include such amount in respect of the taxable income and net realized capital gains, if any, of the Petrowest Business Trust for such year as is necessary to ensure that the Petrowest Business Trust will not be liable for ordinary income taxes under the Tax Act in such year.

If the Business Trustee determines that the Petrowest Business Trust does not have cash in an amount sufficient to make payment of the full amount of any distribution, the payment may include the pro rata issuance of additional Business Units having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the trustee, to be available for the payment of such distribution. The value of each Petrowest Business Trust Unit so issued will be the redemption price thereof.

Any Business Units transferred to Unitholders pursuant to a distribution in specie may be subject to resale and transfer restrictions and cannot be resold or transferred except as permitted by applicable securities law.

Subsequent to December 31, 2007, distributions were suspended.

Business Notes

The following is a summary of the material attributes and characteristics of the Business Notes which have been issued by the Petrowest Business Trust under the Note Indenture. This summary is qualified in its entirety by reference to the provisions of the Note Indenture which contains a complete statement of those attributes and characteristics.

Business Notes are issuable in Canadian currency. Business Notes are issuable in denominations of \$100 and integral multiples of \$100. No fractional Business Notes are issuable or distributable and where the number of Business Notes to be received by a Unitholder includes a fraction, such number shall be rounded to the next lowest whole number.

Series 2 Business Notes are reserved by the Petrowest Business Trust to be issued exclusively to holders of Units as full or partial payment of the redemption price of Units, as the Trustees may decide or, in certain circumstances, be obliged to issue. Series 3 Business Notes are reserved by the Petrowest Business Trust to be issued exclusively as full or partial payment of the redemption price of Series 1 Business Notes.

Interest and Maturity

The Series 1 Business Notes issued at the closing of the Initial Public Offering are payable on demand, mature on the 10th anniversary of the date of issuance and bear a fixed rate of interest, payable monthly in arrears on the 10th day of each calendar month that such Series 1 Business Notes are outstanding. Each Series 2 Note will mature on a date which is no later than the first anniversary of the date of issuance thereof and bear interest at a market rate to be determined by the Business Trustee at the time of issuance thereof, payable monthly in arrears on the 10th day of each calendar month that such Series 2 Note is outstanding. Each Series 3 Note will mature on the same date as the Series 1 Business Notes and bear

interest at a market rate to be determined by the Business Trustee at the time of issuance thereof, payable monthly in arrears on the 10th day of each calendar month that such Series 3 Note is outstanding.

Payment upon Maturity

On maturity, the Petrowest Business Trust will repay the Business Notes by paying to the trustee under the Note Indenture in cash an amount equal to the principal amount of the outstanding Business Notes which have then matured, together with accrued and unpaid interest thereon.

Redemption

The Business Notes will be redeemable in whole or in part (at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, if any, payable in cash or, in the case of a redemption of Series 1 Business Notes in cash, in specie payment of the Redemption Price in Series 3 Business Notes or a combination thereof) at the option of the Petrowest Business Trust prior to maturity.

Ranking and Postponement

The Business Notes will be direct, unsecured obligations of the Petrowest Business Trust ranking pari passu with all other unsecured obligations of the Petrowest Business Trust other than senior indebtedness. Payment of the principal amount and interest on the Business Notes will be postponed in right of payment to the prior payment in full of the principal of and accrued and unpaid interest on, and all other amounts owing in respect of, all senior indebtedness which will be defined as all indebtedness, liabilities and obligations of the Petrowest Business Trust which, by the terms of the instrument creating or evidencing the same, will be expressed to rank in right of payment in priority to the indebtedness evidenced by the Note Indenture. The Note Indenture provides that upon any distribution of the assets of the Petrowest Business Trust in the event of any dissolution, liquidation, reorganization or other similar proceedings relative to the Petrowest Business Trust, the holders of all such senior indebtedness will be entitled to receive payment in full before the holders of the Business Notes are entitled to receive any payment.

Default

The Note Indenture provides that any of the following shall constitute an event of default:

- (a) default in payment of the principal of the Business Notes when the same becomes due and the continuation of such default for a period of 30 days;
- (b) default in payment of any interest due on any Business Notes and continuation of such default for a period of 90 days;
- (c) default in the observance or performance of any other covenant or condition of the Note Indenture and continuance of such default for a period of 30 days after notice in writing has been given to the Business Trustee specifying such default and requiring the Petrowest Business Trust to rectify the same; and
- (d) certain events of dissolution, liquidation, reorganization or other similar proceedings relative to the Petrowest Business Trust.

The provisions governing an event of default under the Note Indenture and remedies available thereunder do not provide protection to the holders of Business Notes which would be comparable to the provisions generally found in debt securities issued to the public.

The Partnerships

The following is a summary of the material attributes and characteristics of the Partnerships and the Partnership Agreements, and is qualified in its entirety by the provisions of the Partnership Agreements.

A copy of the Partnership Agreements are available via the internet at www.sedar.com. See "*Material Contracts*".

General

The Partnerships are limited partnerships formed under the laws of the Province of Alberta. The General Partner is the general partner of the Partnerships, and Acquisitionco and Petrowest Business Trust are the only limited partners of the Partnerships. The Partnerships are each authorized to issue an unlimited number of Class A GP Units, which may only be issued to the General Partner, as well as an unlimited number of Class B Common LP Units and Class C Preferred LP Units. The units of the Partnerships have the right to receive distributions as described below. Each limited partner of a Partnership is entitled to one vote for each Partnership unit held.

Distributions

The amount of cash or other property distributed, if any, by each of the Partnerships to the partners in respect of any period will be determined by the General Partner. Unless otherwise determined by the General Partner, all cash payments and other distributions made to partners will be made on the basis of

an amount to Acquisitionco in respect of its Class C Preferred LP Units; and (ii) the remaining net income to Petrowest Business Trust in respect of its Class B Common LP Units (or 99.999% of the remaining net income if the General Partner declares payable to the holders of Class A GP Units, 0.001% of such net income) after the deduction of the amount payable to the holders of the Class C Preferred LP Units; and (iii) in the sole discretion of the General Partner, 0.001% of the remaining net income in respect of its Class A GP Units.

The Partnerships intend to make monthly cash distributions to the partners on or before the 10th day of each calendar month so that they are received by Petrowest Business Trust prior to its related cash distribution to holders of Business Units. The Partnerships may make distributions at any other time that the General Partner determines.

Allocation of Net Income and Losses

Net income, capital gains or income of the Partnerships for tax purposes and all other items of income, gain, proceeds of disposition and recapture of the Partnerships which are allocable for purposes of the Tax Act or any other relevant taxing statute for any fiscal year shall be allocated at the end of each fiscal year of the Partnerships in the following order or priority:

- (a) to the General Partner as the holder of the Class A GP Units to the extent of cash distributions paid to it in such fiscal year;
- (b) to Acquisitionco as the holder of the Class C Preferred LP Units to the extent of the cash distributions paid to it in such fiscal year;
- (c) to Petrowest Business Trust as the holder of the Class B Common LP Units to the extent of the cash distributions paid to it in such fiscal year; and
- (d) as to the balance, to the General Partner.

Net losses, capital losses and other losses of the Partnerships for tax purposes and all other items of loss, deduction and credit of the Partnerships which are allocated for purposes of the Tax Act or any other relevant tax statute for any fiscal year shall be allocated to the General Partner.

The fiscal year end of the Partnerships is December 31.

Where a distribution of property other than cash results in income or the allocation of an amount to the partners for the purpose of computing the income, taxable income or loss or other amount of the partners under the Tax Act or other relevant taxing statute, the income or amount shall be allocated to the partner receiving the distribution.

Amendment

The Partnership Agreements may be amended only in writing and with the consent of the limited partners given by a resolution passed by not less than $66\frac{2}{3}\%$ of the votes cast by partners entitled to vote at a duly convened meeting or a resolution in writing by partners entitled to vote who collectively hold not less than $66\frac{2}{3}\%$ of the Partnership units. Notwithstanding the foregoing, no amendment may be made that would have the effect of reducing a partner's share of the income or assets of the Partnership, reducing the interest in the Partnership of the partners (unless all of the partners consent thereto), changing in any manner any allocation for tax purposes, changing the liability of any limited partner, allowing any limited partner to exercise control over or management of the business of the Partnership, changing the right of a limited partner or the General Partner to vote at any meeting, or changing the Partnership from a limited partnership to a general partnership.

The General Partner may, without prior notice to or consent from any limited partner of a Partnership, amend from time to time any provision of the Partnership Agreement if such amendment is: (a) in the opinion of the General Partner, based on counsel's recommendation, for the protection or benefit of the limited partners or the Partnership or to cure an ambiguity or to correct or supplement any provision contained therein that may be defective or inconsistent with any other provision contained herein, and the amendment does not and will not, in the opinion of the General Partner, materially adversely affect the rights of any limited partner; (b) for the purpose of reflecting the admission, substitution, withdrawal or removal of limited partners in accordance with the Partnership Agreement; (c) a change that, in the sole discretion of the General Partner, is reasonable and necessary or appropriate to qualify or continue the qualification of the Partnership as a limited partnership in which the limited partners have limited liability under applicable legislation; or (d) a change that, in the sole discretion of the General Partner, is reasonable and necessary or appropriate to enable limited partners to take advantage of, or not be detrimentally affected by, changes in the Tax Act or other taxation laws.

DIRECTORS AND OFFICERS

General

The Unitholders are entitled to direct the appointment of the Board of Directors.

The following table sets out information concerning the current Directors and executive officers of the General Partner, including the positions currently held by them, their principal occupations during the preceding five years and the year in which they were first elected a director of the General Partner. Directors of the General Partner stand for election at each annual meeting of shareholders of the General Partner and hold office until the next annual meeting or until their successors have been duly elected. The current term of each of the Directors will expire at the next annual meeting of shareholders of the General Partner, which is anticipated to take place immediately after the annual meeting of Unitholders of the Trust, which is scheduled to take place on June 14, 2011.

Name and Municipality of Residence	Position with General Partner	Principal Occupations for Last Five Years	Became a Director	Number and Class of Securities Held
Rick Quigley ⁽²⁾ Fort Saint John, British Columbia, Canada	Executive Officer and Director	From 1990 to May 2007, President of Quigley Contracting Ltd.; From May 2007 to September 2010, general manager of the Trust's British Columbia operations; From September 2010 to November 2010, Co-Chief Operating Officer of the Trust; From November 2010 to present, Interim Chief Executive Officer of the Trust.	June 30, 2010	8,500,000 Trust Units
Lloyd A. Wiggins, CA Calgary, Alberta, Canada	Chief Financial Officer	From October 2004 to August 2007, Chief Financial Officer of the general partner of Movie Distribution Income Fund; From January 2008 to present, Chief Financial Officer of the Trust.	Not applicable	20,000 Trust Units
William (Bill) Smith ⁽¹⁾⁽²⁾ Edmonton, Alberta, Canada	Director and Chairman	From October 2004 to present, principal of Bill Smith & Associates Inc. (a private consulting firm), President of Cypress Food and Beverage Inc. ("Cypress") (a private food and beverage supplier), Senior Vice President of BioNeutra Inc. (a private supplier of food ingredients and natural health products), parent company of Cypress.	June 30, 2010	Nil
Gerald A. Romanzin, CA ⁽¹⁾⁽³⁾ Calgary, Alberta, Canada	Director	Independent businessman and corporate director.	July 6, 2006	56,707 Trust Units 20,000 Subordinated Units
Roy Larson Grande Prairie, Alberta, Canada	Director	From 1998 to September 2006, President of Roy Larson Construction Ltd.; From 2006 to present, Vice President of the Construction Division of the Trust.	June 30, 2010	26,854 Trust Units 100,000 Subordinated Units

Name and Municipality of Residence	Position with General Partner	Principal Occupations for Last Five Years	Became a Director	Number and Class of Securities Held
Larry Patriquin ⁽²⁾ Edmonton, Alberta Canada		Director and officer of Den-Ray Rathole Drilling Ltd. (" Denray ") from June 1986 to June 2006 and President of Den-Ray Rathole Drilling L.P. from June 2006 until December 2007, when Denray was acquired by Impax Energy Services Income Trust in June of 2006; Since 2008, Mr. Patriquin has been employed by PowerComm Inc., predecessor to PetroCorp Group Inc. (" PetroCorp ") (an Alberta based issuer traded on the NEX), with responsibilities in a number of areas including corporate relations; Currently, Mr. Patriquin is President, CEO and chairman of the board of PetroCorp.	June 30, 2010	8,814,129 Trust Units
Garry G. Wetsch, Q.C. ⁽¹⁾⁽³⁾⁽⁴⁾ Edmonton, Alberta, Canada	Director	From July 1971 to December 2006, Mr. Wetsch practiced law with the law firm that ultimately became Hustwick, Wetsch, Moffat & McCrae; From January 2, 2007 to May 8, 2010, Mr. Wetsch was an independent contractor with Winalta Inc. (" Winalta "). During the period of January 2007 to December 2008, Mr. Wetsch served in the role of Vice President of the community development division of Winalta and, from December 2008 until September 2009, Mr. Wetsch served in the role of president of Winalta Homes Inc. (" Winalta Homes "), a separate division of Winalta, at which time the role of president of Winalta Homes was eliminated. Mr. Wetsch continued to act as an independent contractor with Winalta from October 2009 until May 8, 2010; From May 8, 2010 to present, independent businessman.	June 30, 2010	12,345 Trust Units
Bradley D. Markel Calgary, Alberta, Canada	Corporate Secretary	Partner, Bennett Jones LLP.	Not applicable	36,100 Trust Units 5,000 Subordinated Units

Notes:

- (1) Member of Audit Committee.
- (2) Member of Compensation Committee.
- (3) Member of Governance Committee.
- (4) On April 26, 2010, Winalta and certain of its subsidiaries, including Winalta Homes, obtained creditor protection under the *Companies' Creditors Arrangement Act* (Canada) ("**CCAA**") pursuant to an order granted by the Court of Queen's Bench of Alberta. See below for further details.

As of December 31, 2010, the Directors and executive officers of the General Partner, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 17,591,135 Units, representing approximately 20.3% of the issued and outstanding Units. Included in this amount are 17,466,135 Trust Units and 125,000 Subordinated Units. The information as to Trust Units and Subordinated Units beneficially owned, not being within the knowledge of the Trust, has been furnished by the respective Directors and executive officers of the General Partner individually.

There are potential conflicts of interest to which the Directors and officers of the General Partner may be subject in connection with the operations of the General Partner. Some of the Directors and officers are engaged and will continue to be engaged in other business pursuits within the oil and gas and oilfield services industries, on their own behalf and on behalf of other corporations and situations may arise where the Directors and officers will be in direct competition with Petrowest. Conflicts of interest, if any, that arise will be subject to and governed by the procedures prescribed by the ABCA, which require a director or officer of a corporation who is party to, or is a director or an officer of or has a material interest in any person who is a party to, a material contract or proposed material contract with the corporation to disclose his interest and to refrain from voting on any matter in respect of such contract, unless otherwise permitted under the ABCA. The ABCA also requires the Directors and officers of the General Partner to act honestly and in good faith with a view to the best interests of the General Partner.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed elsewhere in this AIF, to the knowledge of the Trust no Director or officer of the General Partner or person that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than ten percent of the outstanding Units or any associate or affiliate of any of such persons has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect the Trust, the General Partner, Acquisitionco or the Partnerships.

AUDIT COMMITTEE INFORMATION

The full text of the Audit Committee's charter is included in Appendix A of this AIF.

The Audit Committee consists of the following three Directors: Gerald Romanzin (Chair), Bill Smith and Garry Wetsch, each of whom is "independent" and "financially literate" as such terms are defined under Canadian securities laws. The relevant education and experience of each Audit Committee member is outlined below.

Gerald A. Romanzin, CA, Director

Gerald A. Romanzin is an independent businessman and has served and continues to serve as a director for many publicly traded issuers a few of which are set forth herein. Mr. Romanzin served as a director of the administrator of each of Crescent Point Energy Trust from March 2004 to July 2009 when it converted into a corporation, and has since been a director of Crescent Point Energy Corp. Mr. Romanzin has also been a trustee and director of Trimac Income Fund since February 2005 until January 2011 when it converted into a corporation. Since the conversion, Mr. Romanzin has served as a director of Trimac Transportation Ltd. In addition, Mr. Romanzin was a member of the independent review committee of Titan Funds Incorporated from June 2007 to October 2010, and became a director of Porto Energy Corp. in May 2010. Mr. Romanzin graduated from the University of Calgary with a Bachelor of Commerce and is a Chartered Accountant.

William (Bill) Smith

Mr. Smith is a businessman, Canadian politician, and former mayor of Edmonton, Alberta. Mr. Smith has built a number of businesses in western Canada and most recently worked as consultant with Foundation Group, a business brokerage firm. He has previously served on various boards, including the University Hospital, Newman Theological College, Edmonton Aviation Heritage Society, Edmonton Chamber of Commerce, and the Kiwanis and Kinsmen Clubs. Director of the Variety Club.

Garry Wetsch

Mr. Wetsch is a lawyer admitted to the Bar in Alberta in 1972. Mr. Wetsch is a founder and shareholder of a number of businesses in western Canada. He serves on a number of private company and volunteer boards. In addition, Mr. Wetsch is a director of PetroCorp. Mr. Wetsch, in his practice of law, advised corporations in a broad area that included commercial transaction, employment law, strategic planning, international transactions and finance. He has been involved in all industrial segments and is a strong supporter of innovation and science in Alberta. Mr. Wetsch is the recipient of the Queen's Golden Jubilee Commemorative Medal for his economic development accomplishments.

In connection with his independent contractor relationship with Winalta, from December 2008 to September 2009, Mr. Wetsch served the role of president of Winalta Homes, a division of Winalta. On September 30, 2009, the position of president of Winalta Homes was eliminated and Mr. Wetsch continued his relationship as an independent contractor with Winalta until May 8, 2010. On April 26, 2010, Winalta and certain of its subsidiaries, including Winalta Homes, obtained creditor protection under the Companies' Creditors Arrangement Act (Canada) ("**CCAA**") pursuant to an order granted by the Court of Queen's Bench of Alberta. Deloitte & Touche Inc. was appointed as Winalta's monitor. The CCAA filing followed the receipt on March 31, 2010 by Winalta and its subsidiaries of demands for payment and Notices of Intention to Enforce Security from Winalta's principal lender. On October 22, 2010, Winalta received Court and creditor approval of a plan of arrangement (the "**Plan**") pursuant to the CCAA under which it amalgamated with certain of its subsidiaries and, effective October 29, 2010, emerged from CCAA protection to begin focused operations on its oilfield services business.

Auditors' Fees

The following table provides information about the fees billed to the Trust for professional services rendered by PricewaterhouseCoopers LLP during fiscal 2010:

	2010	2009
PricewaterhouseCoopers LLP		
Audit Fees ⁽¹⁾	\$239,000	\$300,000
Audit-Related Fees ⁽²⁾	44,000	Nil
Tax Fees ⁽³⁾	5,500	118,200
All Other Fees.....	0	0
Total.....	\$288,500	\$418,200

Notes:

- (1) Audit fees consist of fees for the audit of the Trust's annual financial statements, the review of the Trust's interim financial statements and services that are normally provided in connection with statutory and regulatory filings or engagements.
- (2) Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of the Trust's financial statements and are not reported as Audit Fees. During fiscal 2010, the services provided in this category included assistance and advice related to the preparation and filing of the short form rights offering prospectus and consulting services obtained by the Trust in connection with the Trust's conversion to IFRS.
- (3) Tax fees consist of fees for tax compliance services, tax advice and tax planning. During fiscal 2010, the services provided in this category included assistance and advice in relation to the preparation of corporate income tax returns.

MATERIAL CONTRACTS

General

The only contracts entered into by the Trust or any of its subsidiaries within fiscal 2010, or entered into prior to fiscal 2010 and which remain in effect, and which can reasonably be regarded as material to an investor in the Units, other than contracts entered into in the ordinary course of business, are as follows:

- the Deed of Trust described under "*Information Concerning Petrowest – The Trust*";
- the Business Deed of Trust described under "*Information Concerning Petrowest - Petrowest Business Trust*";
- the Partnership Agreements described under "*Information Concerning Petrowest – The Partnerships*";
- the Administration Agreement described under "*Material Contracts–Administration Agreement*";
- the Shareholders Agreement described under "*Material Contracts – Shareholders Agreement*";
- the Note Indenture described under "*Information Concerning the Trust –The Petrowest Business Trust*"; and
- the Amended and Restated Credit Agreement described under "*Risk Factors – Risks Relating to the Business – Credit Facility*", as the same is amended from time to time.

Shareholders' Agreement

The Shareholders' Agreement provides that the Board of Directors shall be nominated by the Business Trustee. Pursuant to the Business Deed of Trust, the Business Trustee shall nominate the directors approved by the unitholder of the Business Trust, namely the Trust, in accordance with the direction of the Unitholders at the annual general meeting.

Administration Agreement

The Trust has entered into the Administration Agreement with the General Partner pursuant to which the General Partner, a wholly-owned subsidiary of Petrowest Business Trust, the Petrowest Business Trust and the general partner of the Partnerships, have agreed to provide or arrange for the provision of services required in the administration and management of the Trust and the Petrowest Business Trust. The General Partner is responsible for overseeing and managing the affairs of the Trust and its subsidiaries.

The General Partner's duties with respect to the administration of the Trust and the Petrowest Business Trust under the Administration Agreement include (i) ensuring compliance by the Trust, its affiliates and subsidiaries with all continuous disclosure obligations under applicable securities legislation, including the preparation of financial statements; (ii) providing investor relations services; (iii) providing or causing to be provided to Unitholders all information that Unitholders are entitled to receive under the Deed of Trust, including relevant information with respect to income taxes; (iv) convening meetings of Unitholders and distributing required materials, including notices of meetings and information circulars, in respect of all such meetings; (v) attending to all administrative and other matters arising in connection with any redemptions of Units; (vi) monitoring the status of Units as qualified investments under the Tax Act for trusts governed by Plans; (vii) providing assistance in negotiating the terms of any financing required by the Trust; and (viii) generally providing all other services as may be necessary, or as

requested by the Trustee, for the administration of the Trust. The General Partner also provides similar services to the Petrowest Business Trust.

The Administration Agreement has an initial term of ten years.

LEGAL PROCEEDINGS

Neither the Trust nor any of its subsidiaries are party to, nor is the Trust aware of, any contemplated or threatened, legal proceedings or regulatory actions that might reasonably be considered to have a material effect on the Trust or its subsidiaries.

TRANSFER AGENT AND REGISTRAR

The registrar and transfer agent for the Units is Valiant Trust Company at its offices in Calgary, Alberta and its co-agent in Toronto, Ontario is BNY Trust Company of Canada.

INTERESTS OF EXPERTS

PricewaterhouseCoopers LLP, Chartered Accountants, are the Trust's auditors and such firm has prepared an opinion with respect to the Trust's consolidated financial statements as at and for the fiscal year ended December 31, 2010. PricewaterhouseCoopers LLP is independent in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Accountants of Alberta.

ADDITIONAL INFORMATION

Additional information, including information as to the remuneration of directors and officers of the General Partner, principal holders of the Trust's securities and securities authorized for issuance under equity compensation plans is contained in Petrowest's most recent Information Circular. Additional financial information is provided in the Trust's Financial Statements and MD&A for the year ended December 31, 2010, which, together with other information concerning the Trust, may be found on SEDAR at www.sedar.com.

Upon request the Trust will provide to any person:

- (i) one copy of this AIF together with one copy of any document, or the pertinent pages of any document, incorporated herein by reference;
- (ii) one copy of the Trust's audited financial statements for the year ended December 31, 2010, together with the report of the auditors thereon, and one copy of any of the Trust's interim financial statements subsequent to such audited financial statements;
- (iii) one copy of the Trust's most recent Management Information Circular relating to the Annual Meeting of the Unitholders of the Trust; and
- (iv) one copy of any other document that is incorporated by reference in a preliminary short form prospectus or short form prospectus, if securities of the Trust are in the course of distribution.

Copies of these documents may be obtained upon request to the offices of Petrowest, Suite 204, 10605 Westside Drive, Grande Prairie, Alberta, T8V 8E6, telephone (780) 830-0881 or facsimile (780) 830-0882.

Additional information relating to Petrowest may be found on SEDAR at www.sedar.com.

APPENDIX A
PETROWEST ENERGY SERVICES GENERAL PARTNER LTD.
AUDIT COMMITTEE TERMS OF REFERENCE

1. Establishment of Audit Committee

Pursuant to the Deed of Trust between Valiant Trust Company, Petrowest Energy Services General Partner Ltd. (the "**Corporation**") and the initial settlor dated July 6, 2006 which created Petrowest Energy Services Trust (the "**Trust**" and, together with all subsidiary entities, "**Petrowest**") and pursuant to the Administration Agreement dated July 6, 2006 between the Trust and the Corporation, the Corporation, as the Administrator of the Trust, is responsible for the supervision, administration and management of all general and administrative affairs of the Trust. To discharge that responsibility, the Board is obligated by the *Business Corporations Act* (Alberta) to supervise the management of the business and affairs of Petrowest. The Board's supervisory function involves Board oversight or monitoring of all significant aspects of the management of Petrowest's business and affairs.

Public financial reporting and disclosure by Petrowest are fundamental to Petrowest's business and affairs and to its status as a publicly listed enterprise. The objective of the Board's monitoring of Petrowest's financial reporting and disclosure is to gain reasonable assurance of the following:

- (a) that Petrowest complies with all applicable laws, regulations, rules, policies and other requirements of governments, regulatory agencies and stock exchanges relating to financial reporting and disclosure;
- (b) that the accounting principles, significant judgements and disclosures which underlie or are incorporated in Petrowest's financial statements are the most appropriate in the prevailing circumstances;
- (c) that Petrowest's quarterly and annual financial statements (including management's discussion and analysis ("**MD&A**")) and Annual Information Forms ("**AIF**") are accurate within a reasonable level of materiality and present fairly Petrowest's financial position and performance in accordance with generally accepted accounting principles ("**GAAP**"); and
- (d) that appropriate information concerning the financial position and performance of Petrowest is disseminated to the public in a timely manner in accordance with corporate and securities law and with stock exchange regulations.

To assist the Board in its monitoring of Petrowest's financial reporting and disclosure and to conform to applicable corporate and securities law, the Board has established the Audit Committee (the "**Committee**") of the Board.

2. Role of the Committee

The role of the Committee is to assist the Board in its oversight of the integrity of the financial and related information of Petrowest, including its financial statements, the internal controls and procedures for financial reporting and the processes for monitoring compliance with legal and regulatory requirements and to review the independence, qualifications and performance of the external auditor of Petrowest. Management is responsible for establishing and maintaining those controls, procedures and processes and the Committee is appointed by the Board to review and monitor them.

3. Composition of Committee

- (a) Size - The Committee shall be appointed annually by the Board and consist of at least three members from among the directors of Petrowest.
- (b) Qualifications – All members of the committee (the "**Members**") must be "independent" and "financially literate" in accordance with Multilateral Instrument 52-110-Audit Committees. At least one Member of the Committee should have "accounting or related financial expertise" (i.e., the ability to analyze and interpret a full set of financial statements, including the notes attached thereto, in accordance with Canadian GAAP).
- (c) The Board shall designate the Chairman of the Committee.
- (d) In the event of a vacancy arising in the Committee or a loss of independence of any Member, the Committee will fill the vacancy within six weeks or by the following annual securityholders' meeting if sooner.

4. Specific Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall:

- (a) Financial Information and Reporting
 - (i) review, prior to public release, Petrowest's annual and quarterly financial statements with management and the external auditors to gain reasonable assurance that the statements are accurate within reasonable levels of materiality, complete, represent fairly Petrowest's financial position and performance and are in accordance with GAAP and report thereon to the Board before such financial statements are approved by the Board;
 - (ii) receive from the external auditors reports on their review of the annual and quarterly financial statements;
 - (iii) receive from management a copy of the representation letter provided to the external auditors and receive from management any additional representations required by the Committee;
 - (iv) review, prior to public release, all news releases issued by Petrowest with respect to Petrowest's annual and quarterly financial statements; and
 - (v) review prospectuses, material change disclosures of a financial nature, management discussion and analysis, annual information forms, business acquisition reports and similar disclosure documents to be issued by Petrowest;
- (b) Accounting Policies
 - (i) review with management and the external auditors the appropriateness of Petrowest's accounting policies, disclosures, key estimates and judgments, including changes or variations thereto;

- (ii) obtain reasonable assurance that the accounting policies, disclosures, key estimates and judgments are in compliance with GAAP from management and external auditors and report thereon to the Board;
 - (iii) review with management and the external auditors the degree of conservatism of Petrowest's underlying accounting policies, key estimates and judgments along with quality of financial reporting; and
 - (iv) participate, if requested, in the resolution of disagreements between management and the external auditors;
- (c) Annual Audit Plan
 - (i) the Committee, in consultation with management and the external auditors, shall develop an annual Audit Committee plan responsive to the Committee's responsibilities as set out in these Terms of Reference. In addition, the Committee, in consultation with management and the external auditors, shall develop and participate in a process for review of important financial topics that have the potential to impact Petrowest's financial disclosure; and
 - (ii) the plan will be focused primarily on the annual and interim financial statements and MD&A of Petrowest; however, the Committee may at its sole discretion, or the discretion of the Board, review such other matters as may be necessary to satisfy the Committee's Terms of Reference;
- (d) Risk and Uncertainty
 - (i) acknowledging that it is the responsibility of the Board, in consultation with management, to identify the principal business risks facing Petrowest, determine Petrowest's tolerance for risk and approve risk management policies, the Committee shall focus on financial risk and gain reasonable assurance that financial risk is being effectively managed;
 - (ii) review policies and compliance therewith that require significant actual or potential liabilities, contingent or otherwise, to be reported to the Board in a timely fashion;
 - (iii) review foreign currency, interest rate and commodity price risk mitigation strategies, including the use of derivative financial instruments;
 - (iv) review the adequacy of insurance coverages maintained by Petrowest; and
 - (v) review regularly with management, the external auditors and Petrowest's legal counsel, any legal claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of Petrowest and the manner in which these matters have been disclosed in the financial statements;
- (e) Financial Controls and Control Deviations

- (i) review the plans of the external auditors to gain reasonable assurance that the evaluation and testing of internal financial controls is comprehensive, coordinated and cost-effective;
 - (ii) review with external auditors (and internal auditors, if appointed) their assessment of internal controls, their written reports for improvement, and management's response and follow up to any identified weaknesses;
 - (iii) receive regular reports from management and the external auditors on all significant deviations from GAAP or other Company internal control processes or indications which may suggest fraud and the corrective activity undertaken in respect thereto; and
 - (iv) institute a procedure that will permit any employee, including management employees, to bring to the attention of the Board or the Committee concerns relating to financial controls and reporting which are material in scope and which cannot be addressed, in the employee's judgement, through existing reporting structures in Petrowest.
- (f) Compliance with Laws and Regulations
 - (i) receive and review regular reports from management and others (e.g. external auditors) with respect to Petrowest's compliance with laws and regulations having a material impact on the financial statements including tax and financial reporting laws and regulations and legal withholding requirements; and
 - (ii) review the filing status of Petrowest's tax returns and those of its subsidiaries or related entities;
- (g) Relationship with External Auditors
 - (i) recommend to the Board the nomination of the external auditors;
 - (ii) pre-approve the remuneration and the terms of engagement of the external auditors as set forth in the Engagement Letter. The Chairman of the Committee hereby has the authority to pre-approve non-audit services which may be required from time to time;
 - (iii) review the performance of the external auditors annually or more frequently as required;
 - (iv) receive annually from the external auditors an acknowledgement in writing that the securityholders, as represented by the Board and the Committee, are their primary client;
 - (v) receive a report annually from the external auditors with respect to their independence, such report to include a disclosure of all engagements (and fees related thereto) for non-audit services by Petrowest;
 - (vi) review with the external auditors the scope of the audit, the areas of special emphasis to be addressed in the audit, and the materiality levels which the external auditors propose to employ;

- (vii) meet with the external auditors at least once a year in the absence of management to determine, inter alia, that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditors or the reporting of their findings to the Committee;
- (viii) establish effective communication processes with management and Petrowest's external auditors to assist the Committee to monitor objectively the quality and effectiveness of the relationship among the external auditors, management and the Committee;
- (ix) establish a reporting relationship between the external auditors and the Committee such that the external auditors can bring directly to the Committee matters that, in the judgement of the external auditors, merit the Committee's attention. In particular, the external auditors will advise the Committee of any disagreements between management and the external auditors regarding financial reporting and how such disagreements were resolved;
- (x) the Committee will pre-approve all non-audit services to be provided to Petrowest by the external auditors. The Committee may delegate to one or more members the authority to pre-approve non-audit services, provided that the member report to the Committee at the next scheduled meeting such pre-approval and the member comply with such other procedures as may be established by the Committee from time to time; and
- (xi) the Committee will develop guidelines for the hiring of any partner, employee or tax professional from the external auditors and for audit partner rotation;
- (h) Other Responsibilities and Procedures
 - (i) after consultation with the Chief Financial Officer and the external auditors, gain reasonable assurance, at least annually, of the quality and sufficiency of Petrowest's accounting and financial personnel and other resources;
 - (ii) the Committee shall have the authority to investigate any financial activity of Petrowest; and
 - (iii) the Committee may retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling their responsibilities at the expense of Petrowest without any further approval of the board;
- (i) Process for Handling Complaints about Accounting Matters
 - (i) be responsible for establishing procedures for the receipt, retention and treatment of complaints received by Petrowest regarding accounting, internal accounting controls or auditing matters; and
 - (ii) be responsible for establishing procedures for the confidential, anonymous submission by employees of Petrowest of concerns regarding questionable accounting or auditing matters.

5. Administrative Matters

- (a) The Committee shall ensure that management advises the external auditors of the names of the Committee members and provides notice of and invites, where appropriate, the external auditors to attend meetings of the Committee. The Committee shall ensure that the external auditors are heard at those meetings on matters relating to the auditor's duties.
- (b) The Committee shall meet with the external auditors at least quarterly and otherwise as it deems appropriate to consider any matter that the Committee or the external auditors determine should be brought to the attention of the Board or shareholders.
- (c) The Committee shall meet at least four times each year. The Chairman may call additional meetings as required.
- (d) The Committee shall have the right to determine who shall and who shall not be present at any time during a Committee meeting.
- (e) The Committee shall be given access to senior management of Petrowest and all documents as required to fulfill its responsibilities and shall be provided with the resources necessary to carry out its responsibilities.
- (f) The secretary to the Committee shall be either the Corporate Secretary or his/her delegate. Minutes of the meetings of the Committee will be recorded, maintained and signed by the Chair and the Secretary of the meeting.
- (g) A copy of the minutes of each meeting of the Committee shall be provided to each director of Petrowest in a timely fashion.
- (h) Audit Committee meetings may be held in person, by video conference, by means of telephone or by a combination of the foregoing.
- (i) Notice of the time and place of each meeting may be given orally, or in writing (including by electronic means) or by facsimile to each member of the Audit Committee at least 48 hours prior to the time fixed for such meeting. Notice shall also be given to the external auditors. Any member and the external auditors may, in any manner, waive notice of the meeting. Attendance of a member or the external auditors at a meeting shall constitute waiver of notice of the meeting except where a member or the external auditors attend the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called.
- (j) A majority of members, present in person or by video conference, by means of telephone or combination thereof, shall constitute a quorum.

6. Review

The members of the Committee with input from all Board members and management will review this mandate at least annually or, where circumstances warrant, at such shorter interval as is necessary, to determine if further additions, deletions or other amendments are required.