



# PEAK ENERGY SERVICES TRUST

## FINANCIAL HIGHLIGHTS

(in thousands of CAD, except otherwise noted)	Three months ended March 31		
	2009	2008	% Change
Revenue	50,472	37,867	33
EBITDA <sup>(1)</sup>	12,929	9,840	31
Per unit – diluted	0.27	0.31	-13
As a percentage of revenue	26%	26%	
Net income	5,421	3,131	73
Per unit – diluted	0.11	0.10	10
Adjusted distributable cash <sup>(1)</sup>	(2,027)	8,095	-125
Per unit – diluted	(0.04)	0.25	-116
Distributions declared to Unitholders	–	–	–
Per unit	–	–	–
Payout ratio			
Adjusted distributable cash <sup>(1) (2) (3)</sup>	N/C	–%	
Trust Units outstanding (thousands)	48,398	48,398	–
Industry activity <sup>(4)</sup>			
Number of drilling rig operating days	28,244	45,336	-38
Drilling rig utilization	36%	56%	-36
Wells drilled	3,008	5,143	-42
Service rig utilization	48%	64%	-25

(1) Refer to the “Non-GAAP Measures” section of this MD&A for further details.

(2) Payout ratio is calculated as distributions declared divided by adjusted distributable cash.

(3) Not calculable (“N/C”).

(4) Sources: Canadian Association of Oilwell Drilling Contractors (“CAODC”), the Daily Oil Bulletin (“DOB”) and Petroleum Services Association of Canada (“PSAC”).

The following management’s discussion and analysis (“MD&A”) of financial condition, results of operations and cash flows for the three months ended March 31, 2009, should be read in conjunction with Peak Energy Services Trust’s (“Peak” or the “Trust”) unaudited interim consolidated financial statements for the three months ended March 31, 2009 and 2008 and the notes contained therein. In addition, this MD&A should be read in conjunction with the Trust’s annual report for the year ended December 31, 2008. Furthermore, this MD&A is in all material respects in accordance with the recommendations provided in the Canadian Institute of Chartered Accountants’ (“CICA”) publication “Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities: Guidance on Preparation and Disclosure”. Additional information relating to the Trust, including the Trust’s Annual Information Form, is available on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at [www.sedar.com](http://www.sedar.com). This MD&A was prepared effective May 12, 2009.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS

For the three months ended March 31, 2009

### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION AND NON-GAAP MEASURES

This MD&A contains forward-looking information within the meaning of applicable Canadian securities legislation regarding expected future events and financial and operating results of the Trust. By its nature, forward-looking information requires the Trust to make assumptions and is subject to numerous inherent risks and uncertainties. There is significant risk that assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking information as a number of factors could cause actual future results, conditions, actions or events to differ materially from expectations, estimations or intentions expressed in the forward-looking information. The Trust disclaims any intention or otherwise to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law. It is the current policy of the Trust to evaluate its past forward-looking information and where it deems appropriate, provide updates subject to requirements by law.

In particular, forward-looking information includes the following statements within this MD&A regarding the expectations of: the geopolitical and global economic future; future oil and natural gas industry activity levels, hydrocarbon supply/demand balance and associated hydrocarbon pricing; future oil sands activity and development; the cyclical and seasonal nature of activity within the oil and natural gas industry; industry trends regarding provincial activity levels and type of activity; the future provision of Peak's services and its impact on equipment utility, pricing, forecasted financial performance and ability to continue as a going concern; the future financial impact of Peak's cost restructuring initiatives; Peak's future capital expenditures; access to and affordability of debt, including the associated interest cost, and equity capital markets for Peak and its customers; Peak's ability to attract and retain key personnel; anticipated future tax legislation; Peak's working capital changes; management's financing strategy for managing Peak's liquidity and capital resources; management's strategy for maintaining the Trust's productive capacity; the impact of future accounting standards on the Trust's financial statements.

These statements include, but are not limited to, statements as to seasonal and weather conditions affecting the Canadian oil and natural gas industry and the demand for the Trust's services. These statements are based on certain assumptions and analysis made by the Trust in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances. However, whether actual results, performance or achievements will conform to the Trust's expectations and predictions is subject to a number of known and unknown risks and uncertainties which could cause actual results to differ materially from the Trust's expectations. Such risks and uncertainties include, but are not limited to: fluctuations in the price and demand for oil and natural gas; currency fluctuations; fluctuations in the level of oil and natural gas exploration and development activities; fluctuations in the demand for oilfield services that the Trust provides; the effects of weather conditions on operations; the existence of competition from other oilfield service entities; general economic, market or business conditions including the consequences of the current global economic crisis; public market volatility and the related ability to access sufficient capital to fund activities; availability to access debt financing to fund

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS

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activities; government policy changes; changes in laws or regulations, including taxation and environmental regulations; the lack of availability of qualified personnel or management; and other unforeseen conditions which could impact the use of services supplied by the Trust.

Consequently, all of the forward-looking information made in this document are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Trust will be realized or, even if substantially realized, that they will have the expected consequences to or effects on the Trust or its business or operations.

Throughout this MD&A certain measures are used that are not recognized measures under Canadian generally accepted accounting principles ("GAAP"). Specific measures used are earnings before interest, taxes, depreciation, amortization and other certain items ("EBITDA"), adjusted EBITDA, adjusted income, standardized distributable cash ("SDC"), adjusted distributable cash ("ADC"), payout ratio of ADC and SDC, working capital, current ratio, funded debt, net debt and long-term debt to equity ratio. Please review the discussion of these measures in the "Non-GAAP Measures and Reconciliations" section of this MD&A.

### INDUSTRY ACTIVITY

For the first quarter of 2009, industry activity levels were lower than what management originally expected as Canadian drilling rig operating days were 38 percent lower than the prior year period. Meanwhile Canadian service rig utility was 25 percent lower than the first quarter of 2008. Wells drilled in Canada were at their lowest level in the past decade at 3,008 wells and compares very negatively with the ten year average of 5,230 wells.

The decrease has been the result of:

- unprecedented global economic instability that accelerated during the second half of 2008, has had an adverse impact on effectively all industries around the world. The oil and natural gas industry is no exception and has been materially negatively impacted as the global economic crisis has created such significant instability and uncertainty that near-term equity and debt financing is currently very difficult to obtain at an economically feasible cost;
- near-term weakness in natural gas pricing driven primarily by the larger than historical norm of natural gas inventory in North America. As mentioned in our annual MD&A for 2008, concerns regarding the near-term supply/demand fundamentals and the market conditions and indicators driven by the global economic crisis has put negative pressure on natural gas pricing. Natural gas storage injections have largely been driven by the aggressive natural gas drilling activities that have occurred in the United States of America ("US") over the past few years. This has more than offset the decline in Canadian natural gas directed activities over the past two years. US natural gas drilling activities have materially declined recently in response to pricing and the global economic crisis, however it will take a period of time for the impact of the decrease to impact storage injections. The Western Canadian Sedimentary Basin ("WCSB") recent years' drilling activity has been between 60 and 70 percent natural gas oriented;

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS

For the three months ended March 31, 2009

- the Alberta provincial government's decision to increase the Alberta royalty rates paid by producers effective January 1, 2009. Recently announced partially offsetting incentives by the Alberta government are welcomed by the industry, however it is unclear as to what the impact will be for activity levels in Alberta as it adds another layer of complexity to the overall Alberta royalty framework. Historically, approximately 75 percent of Canadian drilling rig operating days have been generated in Alberta.

The immediate negative impact of the above events did not translate into a noticeable decrease in industry activity until the second half of the fourth quarter of 2008. This negative trend has intensified significantly in 2009 as industry analysts, which management concurs with, are now forecasting a decrease of between 25 and 40 percent in Canadian industry activity over 2008, with the current trend of a lower number of wells with a longer duration for each well being drilled continuing. Adding to the decrease in industry activity, significant pricing pressure will amplify as oilfield service organizations are competing for a smaller market of activity. Coupled with low hydrocarbon commodity prices which ultimately drives cash flows of producers and their incentive to add production, the impact of the global economic crisis on debt and equity markets is further intensifying the negative industry activity trend as players that are in the development stage are more adversely impacted since their reliance on financing to fund operations is very significant.

Equity and debt financing is particularly relevant to large scale oil sand projects which require significant up front investment during the development/construction stage as they typically do not generate cash flow until they reach the operational stage which may take a number of years. Recent announcements by entities with oil sands projects support the negative near-term impact to activity levels as most have made decisions to defer some near-term spending on oil sand projects in response to current conditions. This does not suggest all oil sand activity has stopped, just that its development is proceeding at a significantly lower near-term level than previously expected.

Management believes the outlook for the oil and gas industry in North America remains very positive over the longer term. Nonetheless, for at least the near-term we expect to continue to experience lower levels of activity as compared to the five year average, until the instability within the global economy subsides and the underlying oil and natural gas supply and demand fundamentals firm up over a sustained period of time.

### OVERALL PERFORMANCE

For the first quarter of 2009, Canadian drilling rig operating days were lower than the same quarter of 2008 at 28,244 days, representing a decrease of 38 percent. Quarter-over-quarter Canadian drilling rig utilization decreased 36 percent to 36 percent. Alberta contributed 88 percent (Saskatchewan 16 percent; British Columbia an increase of 4 percent) of the overall decrease for the quarter as drilling rig operating days within the province decreased 45 percent (Saskatchewan decreased 48 percent; British Columbia increased 12 percent). The geographical shift in activity is a direct reflection of the producers' reaction to the Alberta royalty rate changes that took effect in 2009. Furthermore, first quarter activity has been focused on deeper / longer wells as 3,008 wells were drilled (2008 – 5,143 wells) with the average days/well increasing to 9.4 days/well (2008 – 8.8 days/well). Meanwhile, Canadian service rig utility decreased 25 percent to 48 percent.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS

For the three months ended March 31, 2009

For the three months ended March 31, 2009, Peak:

- generated revenue of \$50.5 million which was a 33 percent or \$12.6 million increase over the 2008 first quarter revenue of \$37.9 million;
- realized EBITDA<sup>(1)</sup> of \$12.9 million (\$0.27 per Unit diluted or 26 percent of revenue), an increase of 31 percent or \$3.1 million over EBITDA for the prior year period of \$9.8 million (\$0.31 per Unit diluted or 26 percent of revenue);
- realized adjusted EBITDA<sup>(1)</sup> of \$12.9 million (\$0.27 per Unit diluted or 26 percent of revenue), an increase of 9 percent or \$1.1 million over adjusted EBITDA<sup>(1)</sup> for the three months ended March 31, 2008 of \$11.8 million (\$0.37 per Unit diluted or 31 percent of revenue);
- posted an adjusted income<sup>(1)</sup> of \$5.4 million (\$0.11 per Unit diluted), which was an increase of 17 percent or \$0.8 million as compared to an adjusted income for the first quarter of 2008 of \$4.6 million (\$0.14 per Unit diluted);
- posted a net income of \$5.4 million (\$0.11 per Unit diluted), which was an increase of 73 percent or \$2.3 million as compared to a net income for the first quarter of 2008 of \$3.1 million (\$0.10 per Unit diluted);
- generated adjusted distributable cash<sup>(1)</sup> of negative \$2.0 million or negative \$0.04 per Unit diluted (2008 – positive \$8.1 million or \$0.25 per Unit diluted), of which zero distributions (\$0.00 per Unit) were made to Unitholders during the current year-to-date period resulting in a payout ratio of zero percent (2008 – zero distributions (\$0.00 per Unit) or zero percent); and
- in response to expected significantly lower industry activity, implemented a significant restructuring plan commencing in February 2009, which Peak expects will reduce its cost structure by at least \$8.0 million to \$10.0 million (\$13.0 million on an annualized basis).

As compared to December 31, 2008, Peak:

- increased working capital<sup>(1)</sup> by \$5.5 million to \$37.5 million;
- decreased tangible capital assets by \$6.5 million to \$229.2 million;
- decreased funded debt<sup>(1)</sup> by \$7.2 million to \$73.2 million; and
- increased Unitholders' equity by \$5.4 million to \$179.2 million.

(1) Refer to the "Non-GAAP Measures and Reconciliations" section of this MD&A for further details.

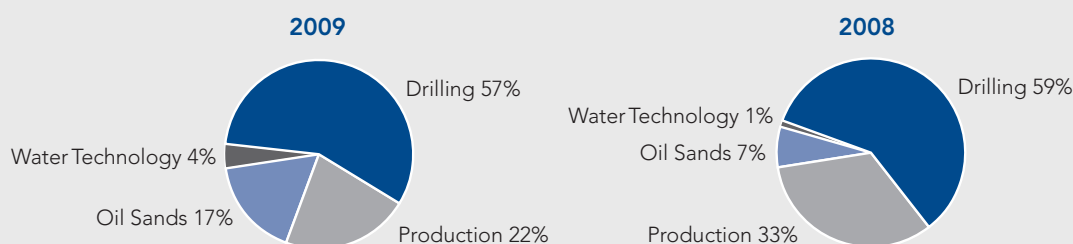
## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS

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### RESULTS OF OPERATIONS

#### REVENUE

Three months ended March 31 (in thousands of CAD, except as otherwise noted)	2009	2008	\$ Change	% Change
Drilling Services	28,206	22,267	5,939	27
Production Services	11,196	12,659	(1,463)	-12
Oil Sands	8,831	2,655	6,176	233
Water Technology	2,239	286	1,953	683
Total revenue	50,472	37,867	12,605	33



For the three months ended March 31, 2009, Peak generated revenue of \$50.5 million compared to \$37.9 million for the prior year period representing an increase of 33 percent compared to a 38 percent decrease in Canadian drilling rig operating days and 25 percent decrease in Canadian service rig activity over this time period. Total Canadian drilling rig operating days for the first quarter of 2009 were 28,244 days compared to 45,336 days for the first quarter of 2008. Meanwhile, Canadian service rig utilization decreased to 48 percent for the first quarter of 2009 from 64 percent for the same period in 2008.

A significant portion of Peak's revenue is generated in the first quarter of the year, as this is when industry activity is typically at its highest level for the year. On March 12, 2008, Peak completed a merger with Wellco Energy Services Trust ("Wellco"). Due to the timing of the merger with Wellco, a significant portion of the merged entities' activities for the first quarter of 2008 are not reflected in Peak's prior period results. Management estimates that if the merger had occurred on December 31, 2007, the pro forma combined financial results, after adjusting for merger related items, would have generated revenue of approximately \$64.7 million for the first three months of 2008. Comparing the first quarter of this year to the pro forma revenue from the prior period resulted in a decrease in revenue of \$14.2 million or 22 percent which is significantly better than the respective decreases in Canadian drilling rig operating days and service rig activity.

**Drilling Services'** revenue increased by \$5.9 million or 27 percent as it generated \$28.2 million in revenue or 57 percent of the Trust's total revenue for the three months ended March 31, 2009, compared to \$22.3 million or 59 percent for the prior year period. The increase in excess of the decrease in Canadian drilling rig operating days was the result of the revenue generated by the former Wellco assets more than offsetting lower utilization and pricing experienced by all operating divisions.

**Production Services'** revenue decreased by \$1.5 million or 12 percent as it contributed \$11.2 million in revenue or 22 percent of the Trust's total revenue for the three months ended March 31, 2009, compared to \$12.7 million

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or 33 percent for the prior year period. The revenue decrease was better than the decrease in Canadian service rig activity and was the result of the strong growth in activity within the Trust's Fluids Handling operating division more than offsetting the decrease in the Wireline operating division as a result of the disposal of its electric line units (May 2008) and lower utilization and pricing experienced during the period.

**Oil Sands'** revenue increased by \$6.2 million or 233 percent as it contributed \$8.8 million in revenue or 17 percent of the Trust's total revenue for the three months ended March 31, 2009, compared to \$2.7 million or 7 percent for the prior year period. The increase was the result of the Wellco merger, as the increase represents activities from the Camps and Catering and Remote Waste Water Systems operating divisions.

**Water Technology's** revenue increased by \$2.0 million or 683 percent as it contributed \$2.2 million in revenue or 4 percent of the Trust's total revenue for the three months ended March 31, 2009, compared to \$0.3 million or 1 percent for the prior year period. This reporting segment was a direct result of the Wellco merger and represents the activities of the Water Technology operating division.

### OPERATING EXPENSES

Three months ended March 31 (in thousands of CAD, except as otherwise noted)	2009	2008	\$ Change	% Change
Operating expenses	28,635	18,970	(9,665)	-51
As a percentage of total revenue	57%	50%		

For the three months ended March 31, 2009, operating expenses were higher than the prior year period by \$9.7 million or 51 percent. As a percentage of revenue, operating expenses were 57 percent compared to the prior year period of 50 percent. The primary factors impacting operating expenses were:

- direct costs associated with the Camps and Catering and Water Technology operating divisions, that were acquired as a result of the merger with Wellco, have lower operating margins than Peak's historical operating divisions for the prior year comparative period;
- a decrease in repairs and maintenance ("R&M") costs, as a percentage of revenue, as management has implemented a selective R&M program deferring R&M costs until the equipment is expected to be utilized; and
- a decrease in both heavy and light truck fuel costs, as a percentage of revenue, primarily driven by the recent significant decrease in the cost of fuel.

### GENERAL AND ADMINISTRATIVE EXPENSES

Three months ended March 31 (in thousands of CAD, except as otherwise noted)	2009	2008	\$ Change	% Change
General and administrative expenses	9,003	9,206	203	2
As a percentage of total revenue	18%	24%		

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For the first quarter of 2009, general and administrative expenses (G&A) were \$0.2 million or 2 percent lower than the prior year period. As a percentage of revenue, G&A decreased to 18 percent for the current quarter of 2009 as compared to 24 percent for the prior year period. The primary factors impacting G&A were:

- \$0.9 million in increased facility costs (rent, utilities and property taxes) resulting from additional field facilities added with the Wellco merger;
- a \$0.9 million decrease in severance costs that were incurred in the prior year period associated with the implementation of Peak's succession plan associated with the post Wellco merger senior management team structure; and
- a \$0.7 million decrease in financing costs that were incurred in the prior year period associated with restructuring the Trust's debt to complete the Wellco merger.

### FOREIGN EXCHANGE GAIN

Three months ended March 31 (in thousands of CAD, except as otherwise noted)	2009	2008	\$ Change	% Change
Foreign exchange (gain)	(95)	(149)	(54)	-36

For the three months ended March 31, 2009, the Trust incurred a foreign exchange gain of \$0.1 million. The gain relates to the change in value, measured in Canadian dollars, of working capital within Peak's US operations.

### EBITDA

Three months ended March 31 (in thousands of CAD, except as otherwise noted)	2009	2008	\$ Change	% Change
EBITDA <sup>(1)</sup>	12,929	9,840	3,089	31
Per unit – diluted	0.27	0.31	(0.04)	-13
As a percentage of total revenue	26%	26%		

EBITDA increased \$3.1 million or 31 percent to \$12.9 million for the three months ended March 31, 2009, meanwhile EBITDA as a percentage of revenue, was consistent at 26 percent quarter-over-quarter. The primary drivers for the consistency in EBITDA quarter-over-quarter are detailed above. Exclusive of the succession planning and financing costs that were indirectly related to the closing of the Wellco merger but not included as transaction costs of the merger for accounting purposes, adjusted EBITDA <sup>(1)</sup> increased \$1.1 million or 9 percent from \$11.8 million (\$0.37 per Unit diluted or 31 percent of revenue) for the first quarter of 2008 to \$12.9 million (\$0.27 per Unit diluted or 26 percent of revenue) for the first quarter of the current fiscal year.

A significant portion of Peak's EBITDA is generated in the first quarter of the year, as this is when industry activity is typically at its highest level for the year. Due to the timing of the merger with Wellco, a significant portion of the merged entities activities for the first quarter of 2008 are not reflected in Peak's prior period

(1) Refer to the "Non-GAAP Measures and Reconciliations" section of this MD&A for further details.

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results. Management estimates that if the merger had occurred on December 31, 2007, the pro forma combined financial results, after adjusting for merger related costs, would have generated an EBITDA of \$18.2 million (\$0.38 per unit diluted or 28 percent of revenue) for the first three months of 2008. Comparing the first quarter of this year to the pro forma EBITDA from the prior period resulted in a decrease in EBITDA of \$5.3 million or 29 percent which is relatively consistent with the decrease in industry activity.

In light of materially lower industry activity levels anticipated for 2009, management implemented a significant restructuring plan commencing in February 2009. The major components of the plan include a reduction in permanent employee positions, temporary salary and wage reductions and suspension of certain employee benefit programs. It is expected that the restructuring plan will contain operating and G&A expenses as a percentage of revenue to a level that will allow the EBITDA percentage to be relatively consistent with fiscal 2008 (post Wellco merger).

### DEPRECIATION AND AMORTIZATION EXPENSES

Three months ended March 31 (in thousands of CAD, except as otherwise noted)	2009	2008	\$ Change	% Change
Depreciation and amortization expenses	4,331	4,791	460	10

For the three months ended March 31, 2009, depreciation and amortization expenses decreased \$0.5 million or 10 percent over the prior year period. The quarter-over-quarter decrease is primarily the result of lower overall utility of rental assets decreasing the depreciation on assets which are depreciated on a utilization basis.

### INTEREST ON LONG-TERM DEBT EXPENSE

Three months ended March 31 (in thousands of CAD, except as otherwise noted)	2009	2008	\$ Change	% Change
Interest on long-term debt expense	1,133	1,176	43	4

Interest on long-term debt expense was relatively flat quarter-over-quarter decreasing by 4 percent to \$1.1 million for the three months ended March 31, 2009. The interest cost (expressed as a percentage of the average long-term debt outstanding during the period) was 5.4 percent for the first quarter of 2009, compared to 6.0 percent for the first quarter of 2008. Of the debt facility currently outstanding, \$30.0 million is at a fixed rate of 6.3 percent, \$10.0 million is at a fixed rate of 7.2 percent with the remaining \$40.0 million at a floating rate tied to the bank prime lending rate.

### LOSS (GAIN) ON SALE OF EQUIPMENT

Three months ended March 31 (in thousands of CAD, except as otherwise noted)	2009	2008	\$ Change	% Change
Loss (gain) on sale of equipment	5	(122)	(127)	-104

For the three months ended March 31, 2009, the loss on sale of equipment amounted to five thousand dollars compared to a gain of \$0.1 million for the prior year period. As previously disclosed, the Trust has continued

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with its asset rationalization program, whereby equipment identified during the period as not generating an appropriate rate of return were disposed of with the proceeds being positioned for reinvestment in equipment that is expected to generate improved returns on invested capital.

### PROVISION FOR INCOME TAXES

Three months ended March 31 (in thousands of CAD, except as otherwise noted)	2009	2008	\$ Change	% Change
Provision for income taxes	2,039	864	(1,175)	-136
Effective income tax rate	27%	22%		

The current tax expense of five thousand dollars and future tax expense of \$2.0 million, resulted in a net income tax expense of \$2.0 million and an effective income tax rate of 27 percent for the three months ended March 31, 2009. Meanwhile, the current tax expense of \$0.3 million and future tax expense of \$0.6 million resulted in a net income tax expense of \$0.9 million and an effective income tax rate of 22 percent for the three months ended March 31, 2008.

The effective income tax rate differs from the statutory corporate rate of 29.0 percent as the result of the Trust's legal structure. As a mutual fund trust for purposes of the *Income Tax Act* (Canada), the Trust is only subject to statutory income taxes on taxable income not distributed to Unitholders.

The federal government has changed the law that commencing in fiscal 2011, Peak will be required to pay a tax of 26.5 percent on distributions it makes to Unitholders. This change in the tax laws will materially reduce the cash available to distribute to Unitholders. This has had a significant impact on existing trusts', including Peak's, enterprise values and their ability to access debt and equity financing at previously experienced levels. Despite this, Peak's underlying business activities remain the same and management is evaluating its options to determine the optimal capital structure for the Trust on a go-forward basis.

The Trust's corporate subsidiaries are subject to statutory corporate income taxes, certain provincial capital taxes and certain state taxes and recognize future income tax assets and liabilities on their temporary differences.

### NET INCOME AND COMPREHENSIVE INCOME

Three months ended March 31 (in thousands of CAD, except as otherwise noted)	2009	2008	\$ Change	% Change
Net income and comprehensive income	5,421	3,131	2,290	73
Earnings per Unit – diluted	0.11	0.10	0.01	10

For the three months ended March 31, 2009, net income and comprehensive income increased 73 percent to \$5.4 million (\$0.11 per Unit diluted) compared to net income and comprehensive income of \$3.1 million (\$0.10 per Unit diluted) for the prior year period.

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Exclusive of the succession planning and financing costs that were indirectly related to the closing of the Wellco merger but not included as transaction costs of the merger for accounting purposes, the adjusted income<sup>(1)</sup> increased \$0.8 million or 17 percent from \$4.6 million (\$0.14 per Unit diluted) for the first quarter of 2008 to \$5.4 million (\$0.11 per Unit diluted) for the first quarter of the current fiscal period.

A significant portion of Peak's income is generated in the first quarter of the year, as this is when industry activity is typically at its highest level for the year. Due to the timing of the merger with Wellco, a significant portion of the merged entities' activities for the first quarter of 2008 are not reflected in Peak's prior period results. Management estimates that if the merger had occurred on December 31, 2007, the pro forma combined financial results, after adjusting for merger related costs, would have generated net income of \$8.0 million (\$0.16 per unit diluted) for the first three months of 2008. Comparing the first quarter of this year to the pro forma net income from the prior period resulted in a decrease in income of \$2.6 million or 32 percent which was relatively consistent with the decrease in industry activity.

### SUMMARY OF QUARTERLY RESULTS

(in thousands of CAD, except as otherwise noted)	Q1 - 2009	Q2 - 2008	Q3 - 2008	Q4 - 2008	Total
Revenue	50,472	27,655	42,451	47,616	168,194
Net income (loss) and comprehensive income (loss)	5,421	(8,697)	1,334	(595)	(2,537)
Earnings (loss) per Unit – basic	0.11	(0.18)	0.03	(0.01)	(0.05)
Earnings (loss) per Unit – diluted	0.11	(0.18)	0.03	(0.01)	(0.05)

(in thousands of CAD, except as otherwise noted)	Q1 - 2008	Q2 - 2007	Q3 - 2007	Q4 - 2007	Total
Revenue	37,867	17,791	27,504	27,511	110,673
Net income (loss) and comprehensive income (loss)	3,131	(657)	(13,413)	996	(9,942)
Earnings (loss) per Unit – basic	0.10	(0.02)	(0.48)	0.04	(0.36)
Earnings (loss) per Unit – diluted	0.10	(0.02)	(0.48)	0.04	(0.36)

### SEASONALITY OF OPERATIONS

A significant portion of the Trust's operations are carried out in western Canada. The ability to move heavy equipment in western Canadian oil and natural gas fields is dependant on weather conditions, whereby thawing in the spring renders many secondary roads incapable of supporting heavy equipment until the ground is dry. In addition, areas in the more northern parts of Canada are accessible only in winter months where the ground is frozen deep enough to support the weight of the equipment. As a result, the Trust's activity generally follows along with this seasonality, demonstrated by the Trust's quarterly revenue fluctuations, whereby activity is traditionally higher in the first and fourth quarters of the year and lower in the second and third quarters of the year. Commencing March 12, 2008, the quarterly amounts reflect the results of the merger with Wellco, hence the quarterly fluctuation is not as apparent due to the significant increase in operating activities of Peak for these quarters as compared to the prior year quarters.

(1) Refer to the "Non-GAAP Measures and Reconciliations" section of this MD&A for further details.

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### STANDARDIZED DISTRIBUTABLE CASH

Standardized distributable cash <sup>(1)</sup> is defined as cash flow from operating activities less adjustments for total capital expenditures, as reported in the Canadian GAAP financial statements, and restrictions on distributions arising from compliance with financial covenants restrictive as of the date of the calculation.

The following was the Trust's standardized distributable cash and associated payout ratio of distributions declared:

Three months ended March 31 (in thousands of CAD, except as otherwise noted)	2009	2008
Cash flow from operating activities	5,237	6,399
Less adjustments for:		
Business acquisitions	–	(1,583)
Purchase of equipment	(1,101)	(1,103)
Distribution restrictions caused by financial covenant	–	(2,483)
Standardized distributable cash <sup>(1)</sup>	4,136	1,230
Distributions declared to Unitholders	–	–
Distribution surplus	4,136	1,230
Payout ratio of standardized distributable cash <sup>(1)</sup>	–%	–%
Standardized distributable cash per Unit – basic	0.09	0.04
Standardized distributable cash per Unit – diluted	0.09	0.04

Standardized distributable cash for the three months ended March 31, 2009 was \$4.1 million or \$0.09 per Unit diluted (2008 – \$1.2 million or \$0.04 per Unit diluted). Meanwhile no distributions were declared for either period, hence the payout ratio of standardized distributable cash was zero percent for both periods. The \$4.1 million distribution surplus was retained to repay outstanding debt facilities. It is important to note that the Trust's activities are significantly influenced by the seasonal activity in the WCSB whereby activity typically begins to increase in the summer/fall, peaks in the winter and decreases in the spring. Additional non-cash working capital is required during the increase in activity as a result of the increase in revenue and associated operational expenses. Revenue will exceed operational expenses during this increase in activity, hence the "net revenue" results in a build up of non-cash working capital in the form of a net increase in accounts receivable less accounts payable. Subsequently, in the spring during the decrease in activity, non-cash working capital decreases as the increase in accounts receivable associated with winter activities are collected. Overall, non-cash working capital will fluctuate due to the seasonal effects of the industry, however it should not materially change on a year-over-year basis.

(1) Refer to the "Non-GAAP Measures and Reconciliations" section of this MD&A for further details.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS

For the three months ended March 31, 2009

The following was the Trust's cumulative standardized distributable cash and associated payout ratio of distributions declared since inception of the Trust:

(in thousands of CAD, except otherwise noted)	Prior to 2007 (32 months)	2007	2008	2009 (3 months)	Since inception
Cash flow from operating activities	88,805	26,829	34,067	5,237	154,938
Less adjustments for:					
Business acquisitions	(68,727)	–	(8,740)	–	(77,467)
Purchase of equipment	(88,793)	(17,154)	(18,139)	(1,101)	(125,187)
Distribution restrictions caused by financial covenant	–	–	–	–	–
Standardized distributable cash <sup>(1)</sup>	(68,715)	9,675	7,188	4,136	(47,716)
Distributions declared to Unitholders	(64,177)	(16,896)	–	–	(81,073)
Distribution surplus (deficit)	(132,892)	(7,221)	7,188	4,136	(128,789)
Payout ratio of standardized distributable cash <sup>(1)(2)</sup>	N/C	N/C	–%	–%	N/C
Standardized distributable cash per Unit					
– basic	(3.32)	0.35	0.16	0.09	(2.72)
– diluted	(3.15)	0.35	0.16	0.09	(2.55)

Since inception of the Trust, the cumulative standardized distributable cash was negative \$47.7 million (negative \$2.55 per Unit diluted). Meanwhile cumulative distributions declared were \$81.1 million. The payout ratio of cumulative standardized distributable cash is not calculable as cumulative standardized distributable cash is negative. The significant \$128.8 million cumulative distribution deficit between standardized distributable cash and distributions declared was primarily due to the significant strategic business acquisitions and capital expenditures made during 2004 through 2006. This differential has been funded by long-term debt and equity financing.

### ADJUSTED DISTRIBUTABLE CASH

Adjusted distributable cash <sup>(1)</sup> is defined as standardized distributable cash adjusted for business acquisitions, growth and infrastructure capital expenditures and seasonal changes in non-cash working capital. Adjusted distributable cash is used by management to measure the Trust's ability to generate the cash necessary to make distributions, repay debt or fund future growth through capital investment.

It is management's strategy to fund business acquisitions, growth and infrastructure capital expenditures from additional long-term debt or equity financing as these activities are enhancing the Trust's overall productive capacity. Furthermore, management's non-cash working capital strategy is to maintain a consistent long-term balance, however non-cash working capital is subject to seasonal fluctuations as detailed in the "Standardized Distributable Cash" section of this MD&A. As a result of these strategies, the aforementioned items are adjusted for in determining adjusted distributable cash. Management views maintenance capital expenditures as an operating expenditure required to maintain the Trust's productive capacity, hence it does not adjust for maintenance capital expenditures in determining adjusted distributable cash.

(1) Refer to the "Non-GAAP Measures and Reconciliations" section of this MD&A for further details.

(2) Not calculable ("N/C").

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS

For the three months ended March 31, 2009

The following was the Trust's adjusted distributable cash and associated payout ratio of distributions declared:

Three months ended March 31 (in thousands of CAD, except as otherwise noted)	2009	2008
Standardized distributable cash <sup>(1)</sup>	4,136	1,230
Adjusted for:		
Business acquisitions	–	1,583
Growth capital expenditures	835	1,578
Infrastructure capital expenditures	118	1,381
Seasonal change in non-cash working capital	(7,116)	2,323
Adjusted distributable cash <sup>(1)</sup>	(2,027)	8,095
Distributions declared to Unitholders	–	–
Distribution surplus (deficit)	(2,027)	8,095
Payout ratio of adjusted distributable cash <sup>(1)(2)</sup>	N/C	–%
Adjusted distributable cash per Unit – basic	(0.04)	0.25
Adjusted distributable cash per Unit – diluted	(0.04)	0.25

The adjusted distributable cash payout ratio was not calculable (2008 – zero percent) for the three months ended March 31, 2009. The distribution deficit was \$2.0 million (2008 – surplus of \$8.1 million) for the first three months of 2009. The Trust's Indentures (for both Peak and Peak Commercial Trust) govern the amounts that the Trustee and the Administrator, Peak Energy Services Ltd. ("PESL"), can distribute to Unitholders. These Indentures give management the latitude to withhold reasonable reserves for operations.

Since the changes in tax laws regarding trusts was announced by the federal government in late 2006, it has become increasingly more difficult to raise equity capital as a trust. In addition, the current downturn in industry activity levels has adversely impacted the Trust's adjusted distributable cash. Consequently, management has shifted its financing strategy to using its adjusted distributable cash to reduce the Trust's core long-term debt to create additional facilities to be available for when future business acquisitions and growth capital expenditure opportunities present themselves. Commencing with the December 2007 distribution period, Peak ceased distributions for an indefinite period. Management believes that this financing strategy will allow it to fulfill its vision and execute on its corporate strategy, while maintaining a stable financial position. It should be noted that there can be no absolute assurances made that the Trust will make any future distributions.

(1) Refer to the "Non-GAAP Measures and Reconciliations" section of this MD&A for further details.

(2) Not calculable ("N/C").

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS

For the three months ended March 31, 2009

The following was the Trust's cumulative adjusted distributable cash and associated payout ratio of distributions declared since inception of the Trust:

(in thousands of CAD, except otherwise noted)	Prior to 2007 (32 months)	2007	2008	2009 (3 months)	Since inception
Standardized distributable cash <sup>(1)</sup>	(68,715)	9,675	7,188	4,136	(47,716)
Adjusted for:					
Business acquisitions	68,727	–	8,740	–	77,467
Growth capital expenditures	68,574	3,550	13,402	835	86,361
Infrastructure capital expenditures	8,581	12,034	1,909	118	22,642
Seasonal change in non-cash working capital	2,212	(5,571)	(6,326)	(7,116)	(16,801)
Adjusted distributable cash <sup>(1)</sup>	79,379	19,688	24,913	(2,027)	121,953
Distributions declared to Unitholders	(64,177)	(16,896)	–	–	(81,073)
Distribution surplus (deficit)	15,202	2,792	24,913	(2,027)	40,880
Payout ratio of adjusted <sup>(1) (2)</sup> distributable cash	81%	86%	–%	N/C	66%
Adjusted distributable cash per Unit					
– basic	3.32	0.71	0.56	(0.04)	4.55
– diluted	3.22	0.71	0.56	(0.04)	4.45

Since inception of the Trust, the cumulative adjusted distributable cash was \$122.0 million (\$4.45 per Unit diluted). Meanwhile cumulative distributions declared were \$81.1 million. The cumulative adjusted distributable cash payout ratio was 66 percent. The cumulative distributable surplus between adjusted distributable cash and distributions declared was \$40.9 million and was used to partially fund growth and infrastructure capital expenditures.

### PRODUCTIVE CAPACITY

The Trust differentiates capital expenditures between growth, maintenance and infrastructure. There is no such distinction of capital expenditures within Canadian GAAP. Management believes that reinvesting in its existing revenue generating asset base via operational repair and maintenance expenses and maintenance capital expenditures are its key strategies to maintaining the Trust's existing productive capacity. Required periodic and capital maintenance expenditures by operating division are actively monitored by management and require a significant amount of professional judgment. Definitively quantifying productive capacity for the Trust is not feasible due the quantity and differentiation of revenue generating assets. Management believes that its current strategy and monitoring activities are adequately maintaining the Trust's productive capacity.

### FINANCING STRATEGY

The Trust's current long-term debt facilities are intended to be utilized primarily for productive capacity expansion initiatives in the form of growth capital expenditures and strategic business acquisitions. Since inception of the Trust, it has been management's strategy to indefinitely carry a reasonable amount of core long-

(1) Refer to the "Non-GAAP Measures and Reconciliations" section of this MD&A for further details.

(2) Not calculable ("N/C").

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS

For the three months ended March 31, 2009

term debt and when the opportunity presents itself, reduce its core long-term debt through equity financing to create additional facilities to fund future strategic business acquisitions and growth capital expenditures. Since the changes in tax laws regarding trusts was announced by the federal government late in 2006, it has become increasingly more difficult to raise equity capital as a trust. In addition, the current downturn in industry activity levels has adversely impacted the Trust's adjusted distributable cash. Consequently, management has shifted its financing strategy to using its adjusted distributable cash to reduce the Trust's core long-term debt to create additional facilities to be available for when future strategic business acquisitions and growth capital expenditure opportunities present themselves.

### FINANCIAL COVENANTS

The Trust has several covenants associated with its debt facilities. Of the covenants, currently the most sensitive one that may restrict distributions is:

- as defined in the Trust's debt facilities' agreements ("Debt Agreements"), at March 31, 2009 the net funded debt to EBITDA financial covenant is in breach if the ratio exceeds 3.00 to 1.00. Furthermore, this covenant decreases to 2.75 to 1.00 at June 30, 2009 and decreases to 2.50 to 1.00 at December 31, 2009. The definition of net funded debt within the Debt Agreements is relatively consistent with funded debt<sup>(1)</sup> discussed in the "Non-GAAP Measures and Reconciliations - Funded Debt and Net Debt" section of this MD&A, however there are certain other potential adjustment provisions within the Debt Agreements. Specifically, the Debt Agreements require the inclusion of letters of credit or guarantee and the present value of certain operating leases. In addition, the definition of EBITDA within the Debt Agreements is relatively consistent with EBITDA as discussed in the "Non-GAAP Measures and Reconciliations - EBITDA" section of this MD&A, however there are certain other potential adjustment provisions within the Debt Agreements. In particular, the Debt Agreements allow for the inclusion of pro forma 12 month trailing EBITDA of acquired businesses.

If the Trust is in breach of this ratio, the creditors have the ability to do any one or more of the following:

- by written notice to the Trust, terminate the existing Debt Agreements;
- by written notice to the Trust, declare all obligations under the Debt Agreements to be due and payable;
- realize upon the security documents and any other security which secures any secured obligations; and
- exercise any other action, suit, remedy or proceeding authorized or permitted by the Debt Agreements or applicable law.

The Trust is in compliance with all of its Debt Agreements' covenants at March 31, 2009, including net funded debt to EBITDA, which was 2.91 to 1.00.

(1) Refer to the "Non-GAAP Measures and Reconciliations" section of this MD&A for further details.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS

For the three months ended March 31, 2009

### LIQUIDITY

#### OPERATING ACTIVITIES

For the first quarter of 2009, cash provided by operating activities was \$5.2 million or \$0.11 per Unit diluted (2008 – \$6.4 million or \$0.20 per Unit diluted). Net cash provided by operating activities are heavily dependent on the generation of sufficient income before non-cash items. As such, changes in the level of industry drilling activities will significantly affect net cash provided by operating activities. Management expects that industry activity levels will be significantly lower in 2009 as compared to 2008 (see discussion in "Industry Activity" section of this MD&A), however cash provided by operating activities (before consideration of changes in non-cash working capital balances) for fiscal 2009 will likely be relatively consistent to slightly higher than the previous year. A significant portion of Peak's cash provided by operating activities is generated in the first quarter of the year, as this is when industry activity is typically at its highest level for the year. Due to the timing of the merger with Wellco, a significant portion of the merged entities' activities for fiscal 2008 are not reflected in Peak's 2008 results. The addition of the former Wellco activities for a full fiscal period will effectively counter act the negative impact of the overall expected decrease in activity.

#### INVESTING ACTIVITIES

Net cash generated by investing activities for the first quarter of 2009 was \$2.0 million (2008 – net cash used of \$1.4 million). For the three months ended March 31, 2009, the activities were the result of:

- \$1.1 million of gross equipment purchases and net purchases of \$0.8 million including proceeds on sale of equipment of \$0.3 million; and
- \$3.6 million in proceeds on the sale of property held for sale.

Further information regarding the above is detailed in the "Capital Resources – Capital Expenditures" section of this MD&A.

#### FINANCING ACTIVITIES

Net cash used in financing activities for the first quarter of 2009 was \$9.0 million (2008 – \$2.9 million). For the three months ended March 31, 2009, the activities were the result of a net repayment of long-term debt of \$9.0 million on the Trust's syndicated extendable term revolving acquisition loan facility (for details refer to the "Capital Resources – Long-term Debt" section of this MD&A).

#### WORKING CAPITAL

The Trust had net working capital<sup>(1)</sup> of \$37.5 million at March 31, 2009, compared to \$31.9 million at December 31, 2008. The Trust's current ratio<sup>(1)</sup> improved over the period, increasing to 2.47 to 1.00 at March 31, 2009 from 2.24 to 1.00 at December 31, 2008. The current global economic crisis and its negative impact on the

(1) Refer to the "Non-GAAP Measures and Reconciliations" section of this MD&A for further details.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS

For the three months ended March 31, 2009

overall oil and natural gas industry will present additional challenges for Peak in managing its net working capital. The primary issue facing Peak will be customers stretching their working capital to finance operations. Peak sales and credit teams mitigate this risk through an active review of receivables and credit limits provided to its customers, however given current environment the overall risk has increased.

### CONTRACTUAL OBLIGATIONS

The following are the Trust's contractual obligations as at March 31, 2009:

(in thousands of CAD)	Less than one year	1 to 3 years	4 to 5 years	After 5 years	Total
Long-term debt	10,669	27,015	42,266	–	79,950
Operating leases	15,731	25,306	20,106	41,197	102,340
Total contractual obligations	26,400	52,321	62,372	41,197	182,290

The Trust intends to fund its contractual obligations through cash flow generated by operating activities. Meanwhile, the current debt facilities are being utilized to fund growth capital expenditures and strategic business acquisitions. It is intended that as these facilities reach their capacity, the Trust would negotiate an increase to these facilities with its lender, negotiate other debt facilities or issue additional Trust Units to reduce the facilities in order to provide debt facility capacity to fund future growth initiatives (see discussion in "Capital Resources" section of this MD&A for potential restrictions on debt and equity financing).

### CAPITAL RESOURCES

#### CAPITAL EXPENDITURES

During the first three months of fiscal 2009, the Trust expended a total of \$1.1 million on gross tangible asset additions and \$0.8 million on net tangible asset additions (includes purchase of equipment, net of proceeds on the sale of equipment).

By reporting segment, the expenditures were:

(in thousands of CAD)	Drilling Services	Production Services	Oil Sands	Water Technology	Total
Growth	144	166	525	–	835
Maintenance	–	140	8	–	148
Infrastructure	–	–	–	–	118
	144	306	533	–	1,101
Proceeds on sale of equipment					(342)
Net tangible asset additions					759

Peak's capital expenditure program for fiscal 2009 has not changed materially from what was disclosed in the 2008 Annual Report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS

For the three months ended March 31, 2009

During the quarter, the Trust disposed of the property it acquired through the Amwest acquisition for \$3.6 million. The property was classified as property held for sale.

In addition to the planned capital expenditures for fiscal 2009, the Trust intends on continuing to identify, evaluate and acquire oil and natural gas service companies and/or assets that complement Peak's business model. The Trust plans to use cash generated from operating activities to fund maintenance capital expenditures and to utilize its existing debt and equity facilities outlined below to fund growth capital expenditures and any strategic business acquisitions contemplated.

### LONG-TERM DEBT

The Trust's long-term debt (including current portion) decreased to \$80.0 million at March 31, 2009, as compared to \$89.0 million at December 31, 2008. Funded debt<sup>(1)</sup> was \$73.2 million at March 31, 2009 as compared to \$80.4 million at December 31, 2008. Meanwhile, net debt<sup>(1)</sup> was \$42.5 million at March 31, 2009 as compared to \$57.0 million at December 31, 2008. The long-term debt to equity ratio<sup>(1)</sup> decreased to 0.45 to 1.00 at March 31, 2009 (December 31, 2008 – 0.51 to 1.00). Of the Trust's \$115.0 million long-term debt facilities at March 31, 2009 (subject to certain conditions may increase up to \$140.0 million at a future date), \$35.0 million was available for use by the Trust for future capital expenditures and strategic business acquisitions at the sole discretion of the lender and subject to certain lending ratios being maintained.

The current negative economic environment and its impact on the financial markets, lending institutions, hydrocarbon commodity prices, and oil and natural gas industry activity levels is providing a very challenging operating environment for the oil and natural gas services industry. Management has taken several steps to proactively manage its cash flow and related funded debt level through these turbulent times. As previously discussed, Peak ceased making distributions to Unitholders to focus cash flows towards debt repayment. Since the merger with Wellco, exclusive of the equity financing which closed simultaneous with the merger, Peak has reduced its funded debt by \$24.5 million. Furthermore, for 2009 Peak has implemented a significant restructuring plan which it expects will reduce its cost structure by approximately \$8.0 million to \$10.0 million (\$13.0 million on an annualized basis) and has a minimal capital expenditure program with a primary focus on further reducing the funded debt outstanding, in light of expected near-term lower industry activity levels.

As detailed in the "Adjusted Distributable Cash – Financial Covenants" section of this MD&A, the Trust has several covenants associated with its Debt Agreements. Of the covenants, currently the most sensitive one that may impact the Trust's liquidity and capital resources is the net funded debt to EBITDA financial covenant which is in breach if the ratio exceeds 3.00 to 1.00. Furthermore, this covenant decreases to 2.75 to 1.00 at June 30, 2009 and decreases to 2.50 to 1.00 at December 31, 2009. If the Trust is in breach of this ratio, the creditors have the ability to do any one or more of the following:

- by written notice to the Trust, terminate the existing Debt Agreements;
- by written notice to the Trust, declare all obligations under the Debt Agreements to be due and payable;

(1) Refer to the "Non-GAAP Measures and Reconciliations" section of this MD&A for further details

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS

For the three months ended March 31, 2009

- realize upon the security documents and any other security which secures any secured obligations; and
- exercise any other action, suit, remedy or proceeding authorized or permitted by the Debt Agreements or applicable law.

The Trust is in compliance with all of its Debt Agreements' covenants at March 31, 2009, including net funded debt to EBITDA, which was 2.91 to 1.00.

The Trust has forecasted its financial results for 2009 using its best estimates of industry activity levels and its associated operating conditions. Based on its forecast, Peak believes it will be able to continue as a going concern, in light of this very challenging operating environment. However, a decrease from the forecasted industry activity could adversely impact the Trust's liquidity and capital resources. Furthermore, it should be noted that given the current economic environment and the impact on industry activity and forecasted results that the Trust would likely experience significant difficulty expanding its funded debt materially above current levels and if required for operations this would adversely impact the Trust's liquidity and capital resources.

The Trust's available and utilized long-term debt facilities at March 31, 2009 consist of:

- pursuant to an agreement dated August 27, 2008 the Trust negotiated a syndicated new extendable term revolving loan facility of \$75.0 million (subject to certain conditions, may increase to \$100.0 million at a future date), that is intended to be utilized to fund capital expenditures and strategic business acquisitions as required, subject to certain lending ratios being maintained. The terms of the facility require no set principal payments during the term, bearing interest at bank prime rate plus up to 1.25 percent or at banker's acceptance rates plus a variable stamping fee of 1.25 to 2.50 percent plus a 0.20 percent standby fee. The facility is renewable on May 31, 2009, at the lender's option, for an additional 364 day period. If not renewed, the loan is repayable over an amortized three year period.
- pursuant to an agreement dated August 31, 2005, the Trust has a term loan of \$30.0 million with terms of no set principal payments during the seven year term bearing interest at 6.3 percent.
- pursuant to an agreement dated June 26, 2006, the Trust has a term loan of \$10.0 million with terms of no set principal payments during the seven year term bearing interest at 7.2 percent.

### UNITHOLDERS' EQUITY

Unitholders' equity increased \$5.4 million to \$179.2 million at March 31, 2009, from \$173.8 million at December 31, 2008. The increase over the prior year-end was the result of net income of \$5.4 million earned.

Considering the current equity market conditions and related negative impact on the oil and natural gas industry (see discussion in the "Industry Activity" section of this MD&A) it is not probable that management can rely heavily on equity financing as the market appetite is extremely weak and it would be very dilutive for existing Unitholders at current Unit market pricing.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS**

*For the three months ended March 31, 2009*

Peak had 48,398,097 Trust Units outstanding at March 31, 2009, compared to 48,398,097 Trust Units at December 31, 2008. As of May 12, 2009, the number of Trust Units outstanding was 48,398,097.

### **OFF-BALANCE SHEET ARRANGEMENTS**

At March 31, 2009, with the exception of operating leases for which the contractual obligation is detailed in the "Liquidity – Contractual Obligations" section of this MD&A, the Trust had no off-balance sheet arrangements.

### **TRANSACTIONS WITH RELATED PARTIES**

At March 31, 2009, the Trust had one related party agreement that it considers to be made at fair market values. This agreement is an office space sublease ("Sublease") with Altus Energy Services Ltd. ("Altus"). The Sublease is for a five year term, commencing September 1, 2007, for a portion of Peak's head office space that it does not currently require. The terms of the Sublease are structured on a 100 percent cost recovery basis, as the terms of Peak's lease ("Lease") restrict Peak from profiting through subleasing and the Lease rate is significantly below current market rates for equivalent space. Two members of PESL's Board of Directors are also members of Altus' Board of Directors. The Sublease was considered by management and PESL's Board of Directors, exclusive of the two related Board members, to be reasonable as the Sublease rate agreed to is the maximum permitted by the Lease.

### **PROPOSED TRANSACTIONS**

Management is actively reviewing several proposed transactions, including acquisition and disposition opportunities, however none of these opportunities are reasonably certain to occur as of the date of this MD&A.

### **CRITICAL ACCOUNTING ESTIMATES**

This MD&A of Peak's financial condition, results of operations and cash flows is based on its interim consolidated financial statements which are prepared in accordance with Canadian GAAP. The Trust's significant accounting policies are described in the consolidated financial statements of the Trust's 2008 Annual Report. In preparation of the Trust's interim consolidated financial statements, management is required to make estimates and assumptions based on information available as of the date of the preparation of the consolidated financial statements that affect the reported amounts of assets, liabilities, revenue, expenses and the disclosure of contingent assets and liabilities for the periods reported. These estimates and judgements are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from these amounts. The most significant accounting estimates are detailed in the MD&A of the Trust's 2008 Annual Report.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS**

*For the three months ended March 31, 2009*

### **FINANCIAL AND OTHER INSTRUMENTS**

The Trust's financial and other instruments have not change materially from what was disclosed in the MD&A of the Trust's 2008 Annual Report with the exception of the carrying and estimated fair value of the Trust's long-term debt. At March 31, 2009, the estimated fair value of the Trust's long-term debt was \$82.4 million (carrying value \$80.0 million).

### **CONTROLS AND PROCEDURES**

#### **DISCLOSURE CONTROLS AND PROCEDURES**

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), on a timely basis so that appropriate decisions can be made regarding public disclosure.

An evaluation of the effectiveness of the design and operation of Peak's disclosure controls and procedures ("DC&P") was conducted, as of March 31, 2009, by management under the supervision of the CEO and the CFO. Based on this evaluation, the CEO and the CFO have concluded that, as of March 31, 2009, Peak's DC&P, as defined by the Canadian Securities Administrators ("CSA") in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, are effective in providing reasonable assurance that material information relating to the Trust and its consolidated subsidiaries is made known to the CEO and the CFO by others within those entities on a timely basis.

#### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

Internal controls over financial reporting ("ICFR") are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. Management is responsible for establishing and maintaining adequate ICFR.

Internal controls over financial reporting, no matter how well designed, have inherent limitations and may not prevent or detect all misstatements. Therefore, ICFR can provide only reasonable assurance with respect to financial statement preparation.

Management, under the supervision of the CEO and the CFO, has evaluated the effectiveness of Peak's ICFR using the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation management has concluded that, subject to the inherent limitations noted above, the design and operating effectiveness of Peak's ICFR was effective as of March 31, 2009.

#### **CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management confirms that there have not been any changes to the ICFR during the quarter ended March 31, 2009, that have materially affected, or are reasonably likely to materially affect, the ICFR.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS

For the three months ended March 31, 2009

### NON-GAAP MEASURES AND RECONCILIATIONS

#### EBITDA AND ADJUSTED EBITDA

EBITDA is defined as earnings before interest, taxes, depreciation, amortization and other certain items. Adjusted EBITDA is defined as EBITDA adjusted for financing and succession planning costs indirectly associated with the closing of the merger with Wellco. EBITDA and adjusted EBITDA are not recognized measures under Canadian GAAP. Management believes, in addition to net income, EBITDA and adjusted EBITDA are useful supplemental measures as they provide an indication of the results generated by Peak's principle business activities prior to consideration of how these activities are financed or how the results are taxed in various jurisdictions. Readers should be cautioned that EBITDA and adjusted EBITDA should not be construed as an alternative to net income determined in accordance with Canadian GAAP as an indicator of the Trust's performance. Peak's method of calculating EBITDA and adjusted EBITDA may differ from other entities and, accordingly, EBITDA and adjusted EBITDA may not be comparable to measures used by other entities.

The following is a reconciliation of adjusted EBITDA and EBITDA to net income:

(in thousands of CAD)	Three months ended March 31	
	2009	2008
Adjusted EBITDA	12,929	11,840
Less merger closing related items:		
Succession planning	–	1,300
Financing fees	–	700
EBITDA	12,929	9,840
Less:		
Depreciation and amortization	4,331	4,791
Interest on long-term debt	1,133	1,176
Loss on sale of equipment	5	–
	7,460	3,873
Add:		
Gain on sale of equipment	–	122
	7,460	3,995
Provision for income taxes	2,039	864
Net income	5,421	3,131

#### ADJUSTED INCOME

Adjusted income is defined as net income adjusted for financing and succession planning costs indirectly associated with the merger with Wellco. Adjusted income is not a recognized measure under Canadian GAAP. Management believes, in addition to net income, adjusted income is a useful supplemental measure as it provides an indication of income before unusual items. Readers should be cautioned that adjusted income should not be construed as an alternative to net income determined in accordance with Canadian GAAP as an indicator of the Trust's performance. Peak's method of calculating adjusted income may differ from other entities and, accordingly, adjusted income may not be comparable to measures used by other entities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS

For the three months ended March 31, 2009

The following is a reconciliation of adjusted income to net income:

(in thousands of CAD)	Three months ended March 31	
	2009	2008
Adjusted income	5,421	4,631
Less:		
Succession planning (net of tax)	–	975
Financing fees (net of tax)	–	525
Net income	5,421	3,131

### STANDARDIZED DISTRIBUTABLE CASH

Standardized distributable cash is defined as cash flow from operating activities less adjustments for total capital expenditures, as reported in the Canadian GAAP financial statements, and restrictions on distributions arising from compliance with financial covenants restrictive as of the date of the calculation. Standardized distributable cash is not a recognized measure under Canadian GAAP, however standardized distributable cash is in accordance with the recommendations provided by the CICA's publication "Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities: Guidance on Preparation and Disclosure". Readers should be cautioned that standardized distributable cash should not be construed as an alternative to cash flow from operating activities, as an indicator of the Trust's performance. Peak's method of calculating standardized distributable cash may differ from other entities and, accordingly, standardized distributable cash may not be comparable to measures used by other entities.

The following is a reconciliation of standardized distributable cash to cash flow from operating activities:

(in thousands of CAD)	Three months ended March 31	
	2009	2008
Standardized distributable cash	4,136	1,230
Add:		
Business acquisitions	–	1,583
Purchase of equipment	1,101	1,103
Distribution restrictions caused by debt	–	2,483
Cash flow from operations	5,237	6,399

### ADJUSTED DISTRIBUTABLE CASH

Adjusted distributable cash is defined as standardized distributable cash adjusted for business acquisitions, growth and infrastructure capital expenditures and seasonal changes in non-cash working capital. Adjusted distributable cash is not a recognized measure under Canadian GAAP. Management believes, in addition to standardized distributable cash, adjusted distributable cash is a useful supplemental measure as it measures the Trust's ability to generate the cash necessary to make distributions, repay debt or fund future growth through capital investment. Readers should be cautioned that adjusted distributable cash should not be construed as an alternative to standardized distributable cash, determined in accordance with the recommendations

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS

For the three months ended March 31, 2009

provided by the CICA's publication "Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities: Guidance on Preparation and Disclosure", as an indicator of the Trust's performance. Peak's method of calculating adjusted distributable cash may differ from other entities and, accordingly, adjusted distributable cash may not be comparable to measures used by other entities.

The following is a reconciliation of adjusted distributable cash to standardized distributable cash:

(in thousands of CAD)	Three months ended March 31	
	2009	2008
Adjusted distributable cash	(2,027)	8,095
Less:		
Business acquisitions	–	1,583
Growth capital expenditures	835	1,578
Infrastructure capital expenditures	118	1,381
	(2,980)	3,553
Seasonal change in non-cash working capital	7,116	(2,323)
Standardized distributable cash	4,136	1,230

### PAYOUT RATIOS

Payout ratios are defined as distributions declared divided by either standardized distributable cash or adjusted distributable cash. Payout ratios are not recognized measures under Canadian GAAP. Management believes these ratios provide an indication of the amount of cash either retained or distributed that could be utilized for future growth opportunities, debt repayment or incremental future distributions to Unitholders. The Trust's method of calculating payout ratios may differ from those used by other entities and, accordingly, payout ratios may not be comparable to measures used by other entities.

(in thousands of CAD)	Three months ended March 31	
	2009	2008
Distributions declared	–	–
Standardized distributable cash	4,136	1,230
Adjustable distributable cash	(2,027)	8,095
Standardized distributable cash payout ratio	–%	–%
Adjustable distributable cash payout ratio <sup>(2)</sup>	N/C	–%

### WORKING CAPITAL AND CURRENT RATIO

Working capital is defined as current assets less current liabilities excluding current portion of long-term debt. Current ratio is defined as current assets divided by current liabilities excluding current portion of long-term debt. Working capital and current ratio are not recognized measures under Canadian GAAP. Management believes working capital and current ratio provide an indication of the current liquidity available to the Trust before considering long-term debt facilities or equity financing considerations. The Trust's method of calculating

(2) Not calculable ("N/C").

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS

For the three months ended March 31, 2009

working capital or current ratio may differ from those used by other entities and, accordingly, may not be comparable to measures used by other entities.

(in thousands of CAD, except as otherwise noted)	March 31, 2009	December 31, 2008
Current assets	63,043	57,686
Current liabilities	(36,239)	(34,771)
Current portion of long-term debt	(10,669)	(9,012)
Net current liabilities	(25,570)	(25,759)
Working capital	37,473	31,927
Current ratio	2.47	2.24

### FUNDED DEBT AND NET DEBT

Funded debt is defined as long-term debt including current portion of long-term debt less cash and cash equivalents. Net debt is defined as long-term debt including current portion of long-term debt less working capital. Funded debt and net debt are not recognized measures under Canadian GAAP. Management believes funded debt and net debt provide an indication of the Trust's debt position after consideration for assets and liabilities that are considered relatively liquid in nature. The Trust's method of calculating funded debt and net debt may differ from those used by other entities and, accordingly, may not be comparable to measures used by other entities.

(in thousands of CAD, except as otherwise noted)	March 31, 2009	December 31, 2008
Net debt	42,477	57,040
Less: cash and cash equivalents	6,716	8,565
	35,761	48,475
Add: working capital	37,473	31,927
Funded debt	73,234	80,402
Add: cash and cash equivalents	6,716	8,565
Total long-term debt (including current portion of long-term debt)	79,950	88,967

### LONG-TERM DEBT TO EQUITY RATIO

Long-term debt to equity ratio is defined as long-term debt including current portion of long-term debt divided by Unitholders' equity. Long-term debt to equity ratio is not a recognized measure under Canadian GAAP. Management believes the long-term debt to equity ratio provides an indication of how the Trust's operations are financed. The Trust's method of calculating long-term debt to equity ratio may differ from those used by other entities and, accordingly, may not be comparable to measures used by other entities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS

For the three months ended March 31, 2009

(in thousands of CAD, except as otherwise noted)	March 31, 2009	December 31, 2008
Current portion of long-term debt	10,669	9,012
Long-term debt	69,281	79,955
Total long-term debt	79,950	88,967
Unitholders' equity	179,238	173,817
Long-term debt to equity ratio	0.45	0.51

### CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2009, the Trust adopted new Canadian accounting standards regarding the recognition, measurement and disclosure of goodwill and intangible assets. The adoption of this standard did not have a material impact on the consolidated financial statements.

### INTERNATIONAL FINANCIAL REPORTING STANDARDS

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the requirement for all publicly accountable enterprises to adopt International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. IFRS will replace Canada's current GAAP for these enterprises. Effective January 1, 2011, the Trust will be required to report its interim and annual consolidated financial statements in accordance with IFRS including information for the comparative 2010 period. IFRS will require increased financial statement disclosure. Although IFRS uses a conceptual framework similar to Canadian GAAP, differences in accounting policies will need to be addressed.

The Trust is currently in the process of evaluating the potential impact of IFRS to its consolidated financial statements and does not intend to early adopt IFRS. The Trust's consolidated financial performance and financial position as disclosed in the Trust's current GAAP financial statements may be significantly different when presented in accordance with IFRS.

### OUTLOOK

Entering 2009, the Trust initially expected the oil and natural gas industry in western Canada to drill between 15,000 and 15,500 wells which represented a reduction in activity of approximately 9 percent to 12 percent from the 16,894 wells drilled in 2008. Unfortunately, industry activity during the first quarter of 2009 was significantly less than originally expected with 42 percent fewer wells being drilled. In light of this downward trend, in mid February management revised its expectations that wells drilled would be in the 13,000 well range.

While a reduced level of drilling activity during the first quarter of 2009 was not unexpected given the challenges experienced by the industry in the fourth quarter of 2008, activity was unseasonable in nature and significantly lower than what was originally anticipated for the quarter. The worldwide economic crisis has put significant

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS

For the three months ended March 31, 2009

downward pressure on hydrocarbon commodity prices due to the reduction in global oil demand and the demand for natural gas in North America. Tight credit from lending institutions coupled with a lack of equity capital, at an economically feasible cost, has made it increasingly difficult for our customers to support their drilling and production programs. All of the above factors have contributed to the reduced levels of activity year-to-date. Considering the slow start and the lack of clear visibility going forward, Peak's outlook for the number of wells to be drilled in western Canada for 2009 is now in the 11,000 range, representing a 35 percent reduction from the prior year. Furthermore, pricing will be under significant pressure for the balance of 2009.

In February, Peak re-visited its internal operating plan for 2009, to ensure the Trust remains financially sound through what appears to be a turbulent and protracted downturn. Peak has a history of being proactive when faced with these challenging situations and as a result has commenced the process of implementing a number of significant restructuring initiatives which will enable the Trust to reduce its cost structure by at least \$8.0 to \$10.0 million for fiscal 2009 (\$13.0 million on an annualized basis). If necessary, management will implement further and more creative restructuring initiatives to relatively maintain EBITDA margins as best it can in light of the current environment. In addition to the foregoing, the Trust has also significantly curtailed its capital expenditure plans for 2009 relative to prior years to preserve cash flow, strengthen its balance sheet and better position itself to take advantage of opportunities that may present themselves.

Notwithstanding the current uncertainty surrounding the oil and natural gas industry in North America, management believes that the long-term outlook for the oil and natural gas industry in North America remains very positive. As this current level of instability subsides, the underlying strength in the supply and demand fundamentals for oil and natural gas supply should once again be a catalyst for higher commodity prices and more robust levels of activity over the longer term.

On behalf of the Board of Directors of Peak Energy Services Ltd., Administrator of Peak Energy Services Trust:



Curtis W. Whitteron, CET

*President and Chief Executive Officer  
Peak Energy Services Ltd.  
May 12, 2009*



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## CONSOLIDATED BALANCE SHEETS

(in thousands of CAD) (unaudited)	March 31, 2009	December 31, 2008
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 6,716	\$ 8,565
Accounts receivable	52,492	45,548
Prepaid expenses	2,399	2,175
Inventory	1,436	1,398
	63,043	57,686
Property and equipment	229,217	232,164
Property held for sale	–	3,580
Intangibles	7,152	7,783
	\$ 299,412	\$ 301,213
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 24,608	\$ 24,720
Income taxes payable	761	838
Current portion of long-term debt (note 4)	10,669	9,012
Current portion of deferred lease inducements	201	201
	36,239	34,771
Long-term debt (note 4)	69,281	79,955
Deferred lease inducements	1,873	1,923
Future income taxes	12,781	10,747
Unitholders' equity:		
Trust Unit capital (note 5)	227,347	227,347
Contributed surplus	1,483	1,483
Deficit	(49,592)	(55,013)
	179,238	173,817
Basis of presentation (note 1)		
	\$ 299,412	\$ 301,213

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME AND DEFICIT

(in thousands of CAD, except per Unit amounts) (unaudited)	Three months ended March 31	
	2009	2008
Revenue	\$ 50,472	\$ 37,867
Expenses:		
Operating	28,635	18,970
General and administrative	9,003	9,206
Depreciation and amortization	4,331	4,791
Interest on long-term debt	1,133	1,176
Foreign exchange gain	(95)	(149)
	43,007	33,994
Income before other items	7,465	3,873
Other items:		
Loss (gain) on sale of equipment	5	(122)
	5	(122)
Income before income taxes	7,460	3,995
Provision for income taxes:		
Current	5	250
Future	2,034	614
	2,039	864
Net income and comprehensive income	5,421	3,131
Deficit, beginning of period	(55,013)	(50,186)
Deficit, end of period	\$ (49,592)	\$ (47,055)
Earnings per Unit: (note 6)		
Basic	\$ 0.11	\$ 0.10
Diluted	\$ 0.11	\$ 0.10

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of CAD) (unaudited)	Three months ended March 31	
	2009	2008
Operating activities:		
Net income	\$ 5,421	\$ 3,131
Add (deduct) items not affecting cash:		
Depreciation and amortization	4,331	4,791
Loss (gain) on sale of equipment	5	(122)
Unrealized foreign exchange (gain) loss	(290)	334
Future income taxes	2,034	614
	11,501	8,748
Changes in non-cash working capital items (note 7(a))	(6,264)	(2,349)
	5,237	6,399
Investing activities:		
Business acquisition (note 3)	–	(1,583)
Purchase of equipment	(1,101)	(1,103)
Proceeds on sale of equipment	342	1,255
Proceeds on sale of property held for sale	3,580	–
	2,821	(1,431)
Changes in non-cash working capital items (note 7(b))	(852)	26
	1,969	(1,405)
Financing activities:		
Increase in long-term debt	–	64,268
Repayment of long-term debt	(9,017)	(77,107)
Issuance of Trust Units, net of costs	–	9,923
	(9,017)	(2,916)
Foreign exchange gain on cash held in foreign currency	(38)	(12)
Increase (decrease) in cash and cash equivalents	(1,849)	2,066
Cash and cash equivalents, beginning of period	8,565	1,617
Cash and cash equivalents, end of period	\$ 6,716	\$ 3,683

See accompanying notes to consolidated financial statements.

Supplemental information (note 8)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2009 and 2008

(amounts in thousands of CAD, except number of Units and per Unit amounts) (unaudited)

Peak Energy Services Trust (the “Trust”) is a diversified energy services organization operating in western Canada and the mid-west United States of America. Through its various operating divisions, the Trust provides drilling and production services to its customers both in the conventional oil and natural gas industry as well as the oil sands regions of western Canada. The Trust also provides water technology solutions to a variety of customers throughout North America.

The Trust is an unincorporated open-end investment trust governed by the laws of the Province of Alberta, Canada, pursuant to a Trust Indenture between Peak Energy Services Ltd. (“PESL”) and Valiant Trust Company (“Valiant” or the “Trustee”).

All of the operating assets of the Trust are held indirectly by PESL. The Trust owns 100 percent of the shares of PESL. PESL’s activities are financed through inter-entity investment by the Trust and third party interest bearing debt. The business of PESL is carried on by Peak Energy Services Partnership (“PESP”), Peak Energy Services USA, Inc. (“Peak USA”) and Sanitherm Inc. (“Sanitherm”). PESL directly and indirectly owns 100 percent of the partnership interest in PESP and 100 percent of the common shares of Peak USA and Sanitherm. PESP, Peak USA and Sanitherm’s activities are financed directly or indirectly through inter-entity interest bearing notes, inter-entity non-interest bearing accounts, inter-entity investment in common shares and inter-entity investment in partnership interest.

The Trustee may declare payable to Unitholders all or any part of the Distributable Cash of the Trust. Distributable Cash, as defined in the Trust Indenture, is calculated as all of the interest, distributions, dividends and principal repayments from Peak Commercial Trust (“PCT”) and other permitted investments less all expenses and liabilities of the Trust. Furthermore, all of Net Income and Net Realized Capital Gains, as defined in the Trust Indenture, in accordance with the provisions of the Income Tax Act shall be payable to Unitholders in cash or Trust Units so that the Trust will not have any liability for tax under the Income Tax Act. In addition to any amounts otherwise payable to Unitholders, as defined in the Trust Indenture, any amount may be declared payable by the Trustee upon recommendation of the Administrator (PESL) of the Trust. PESL may, in its sole discretion, withhold reasonable reserves including Capital Expenditure Reserves, in declaring payable the Distributable Cash, as defined in the PCT Indenture.

Commencing with the December 2007 distribution period, the Trust ceased distributions for an indefinite period. Management’s current financing strategy is to use its cash flow from operating activities to reduce the Trust’s core long-term debt to create additional facilities to be available for when future business acquisitions and growth capital expenditure opportunities present themselves.

The unaudited interim consolidated financial statements of the Trust have been prepared by management in accordance with accounting principles generally accepted in Canada. These interim consolidated financial statements have been prepared following the same accounting policies and methods of application as the consolidated financial statements of the Trust for the fiscal year ended December 31, 2008, except as noted. The disclosures provided herein are incremental to those included within the Trust’s annual consolidated financial statements. The interim consolidated financial statements and the related notes should be read in conjunction

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2009 and 2008

(amounts in thousands of CAD, except number of Units and per Unit amounts) (unaudited)

with the consolidated financial statements and the related note disclosure in the Trust's annual report for the year ended December 31, 2008.

Accounting measurements at interim dates inherently involve greater reliance on estimates than at year-end and the results of operations for the interim periods shown in these financial statements are not necessarily indicative of results to be expected for the fiscal year. In the opinion of management, the accompanying interim consolidated financial statements include all adjustments necessary to present fairly the consolidated result of its operations and cash flows for the three months ended March 31, 2009 and 2008.

Certain comparative figures have been reclassified to conform with the current financial statement presentation.

### 1. BASIS OF PRESENTATION

The current negative economic environment and its impact on the financial markets, lending institutions, commodity prices and oil and natural gas industry activity levels is providing a very challenging operating environment for the oil and natural gas services industry. The Trust has responded to these conditions by aligning its cost structure, where feasible, to be consistent with expected industry activity levels.

The Trust has forecasted its financial results for 2009 using its best estimates of industry activity levels and its associated operating conditions. Based on its forecast, the Trust believes it will be able to continue as a going concern, in light of this very challenging operating environment. However, a decrease from the forecasted industry activity could adversely impact the Trust's liquidity.

The accompanying consolidated financial statements have been prepared on the basis that the Trust will continue as a going concern, which assumes that the Trust will be able to realize its assets and satisfy its liabilities in the normal course of business for the foreseeable future. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and the amount and classification of liabilities that would be necessary should the Trust be unable to continue as a going concern.

The Trust's continuation as a going concern is ultimately dependent upon its future financial performance, which will be affected by general economic conditions, hydrocarbon commodity prices, industry activity levels, availability of debt and/or equity to finance operations and other factors, many of which are beyond the Trust's control.

### 2. CHANGES IN ACCOUNTING POLICY

#### (a) Goodwill and intangible assets

Effective January 1, 2009, the Trust adopted new Canadian accounting standards regarding the recognition, measurement and disclosure of goodwill and intangible assets. The adoption of this standard did not have a material impact on the consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2009 and 2008

(amounts in thousands of CAD, except number of Units and per Unit amounts) (unaudited)

### Future accounting standards

(a) Business combinations

A new Canadian accounting standard has been issued which addresses the accounting of business combinations effective for acquisition dates on or after January 1, 2011. It is not anticipated that the adoption of this new accounting standard will have a material impact on the Trust's financial statements. Early adoption is permitted.

(b) Consolidated financial statements

A new Canadian accounting standard has been issued which addresses the accounting policies and reporting periods of consolidated entities commencing January 1, 2011. It is not anticipated that the adoption of this new accounting standard will have a material impact on the Trust's financial statements. Early adoption is permitted.

(c) International financial reporting standards ("IFRS")

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the requirement for all publicly accountable enterprises to adopt IFRS for fiscal years beginning on or after January 1, 2011. IFRS will replace Canada's current generally accepted accounting principles ("GAAP") for these enterprises. Effective January 1, 2011, the Trust will be required to report its interim and annual consolidated financial statements in accordance with IFRS including information for the comparative 2010 period.

The Trust is currently in the process of evaluating the potential impact of IFRS to its consolidated financial statements and does not intend to early adopt IFRS. The Trust's consolidated financial performance and financial position as disclosed in the Trust's current GAAP financial statements may be significantly different when presented in accordance with IFRS.

### 3. BUSINESS ACQUISITION

The following acquisition has been accounted for by the purchase method with the results of operations of the acquired business being included in the consolidated financial statements from the date of acquisition.

#### For the three months ended March 31, 2008

(a) Wellco Energy Services Trust

On March 12, 2008, the Trust acquired all of the issued and outstanding units of Wellco Energy Services Trust ("Wellco") for total consideration of \$31,567. This transaction was comprised of \$1,583 in cash and the issuance of 16,565,851 Trust Units with a fair market value of \$29,984. Wellco was a diversified Canadian energy services organization operating in western Canada,

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2009 and 2008

(amounts in thousands of CAD, except number of Units and per Unit amounts) (unaudited)

offering various services to the oil and natural gas industry. These services include camps & catering services, wellsites, remote waste water services, water technology and production rentals. These assets are classified as Drilling Services, Production Services, Oilsands and Water Technology for segmented information purposes.

The allocation of the purchase price was as follows:

	Total
Equipment	\$ 41,517
Proprietary technology	1,000
Working capital	24,024
Future income taxes	8,483
Debt assumed	(43,457)
Total consideration	31,567
Fair value of Trust Units issued	(29,984)
Total cash consideration	\$ 1,583

#### 4. LONG-TERM DEBT

	March 31, 2009	December 31, 2008
Pursuant to an agreement dated August 27, 2008, the Trust has a syndicated extendable term revolving acquisition loan facility of \$75,000 (subject to certain conditions, may increase to \$100,000 at a future date) requiring no principal payments during the term, bearing interest at the bank prime rate plus up to 1.25 percent or at banker's acceptance rates plus a variable stamping fee of 1.25 percent to 2.50 percent. The facility expires on May 31, 2009 and can be renewed, at the lender's option, for an additional 364 day period. If not renewed, the loan is repayable over an amortized period of three years. The facility is secured by an unlimited guarantee, a general assignment of book debts, a demand debenture and a General Securities agreement.	\$ 39,950	\$ 48,967
Pursuant to an agreement dated August 31, 2005, the Trust has a term loan with terms of no set principal payments during the seven year term, bearing interest at 6.29 percent. The facility is secured by a General Securities agreement and Inter-Lender agreement.	30,000	30,000
Pursuant to an agreement dated June 26, 2006, the Trust has a term loan with terms of no set principal payments during the seven year term, bearing interest at 7.21 percent. The facility is secured by a General Securities agreement and Inter-Lender agreement.	10,000	10,000
	79,950	88,967
Less current portion	10,669	9,012
	\$ 69,281	\$ 79,955

The Trust has several covenants associated with its loan facilities. Of the covenants, currently the most sensitive is the net funded debt to earnings before interest, taxes, depreciation and amortization

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2009 and 2008

(amounts in thousands of CAD, except number of Units and per Unit amounts) (unaudited)

("EBITDA") which is in breach if the ratio exceeds 3.00:1.00. The definition of the above ratio is subject to several potential adjustment provisions within the loan facilities agreements.

Financial covenants associated with the Trust's debt agreements are reviewed regularly and controls are in place to monitor compliance with these covenants. The Trust is in compliance with all its covenants at March 31, 2009, including net funded debt to EBITDA, which is 2.91:1.00.

### 5. TRUST UNIT CAPITAL

#### (a) Authorized

The authorized Trust Unit capital of the Trust consists of an unlimited number of Trust Units.

#### (b) Trust Unit capital issued

	Number of Units	Amount
Balance, December 31, 2007	27,698,387	\$ 187,440
Units issued for consideration in business acquisition (note 3)	16,565,851	29,984
Units issued for cash, net of costs	4,133,859	9,923
Balance, December 31, 2008	48,398,097	227,347
Balance, March 31, 2009	48,398,097	\$ 227,347

### 6. WEIGHTED AVERAGE UNITS

	Three months ended March 31	
	2009	2008
Weighted average basic Units	48,398,097	32,068,326
Weighted average diluted Units	48,398,097	32,068,326

### 7. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

#### (a) Operating activities

	Three months ended March 31	
	2009	2008
Accounts receivable	\$ (6,618)	\$ (2,874)
Income taxes payable	(77)	248
Prepaid expenses	(224)	556
Inventory	(38)	10
Accounts payable and accrued liabilities	743	(239)
Deferred lease inducement	(50)	(50)
	\$ (6,264)	\$ (2,349)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2009 and 2008

(amounts in thousands of CAD, except number of Units and per Unit amounts) (unaudited)

(b) Investing activities

	Three months ended March 31	
	2009	2008
Accounts payable for capital expenditures	\$ (852)	\$ 26
	\$ (852)	\$ 26

### 8. SUPPLEMENTAL INFORMATION

	Three months ended March 31	
	2009	2008
Interest paid	\$ 1,105	\$ 1,042
Income taxes paid	\$ 82	\$ 3

### 9. MARKET BASED COMPENSATION

The Trust has a market based incentive plan (“Market Plan”). Under the Market Plan, Rights with a three year vesting period are allocated to certain employees and key consultants. The number of Rights outstanding at any time is not to exceed 10 percent of the total number of Trust Units outstanding. At the end of each 12 month period, all vested Rights are automatically cancelled and, if applicable, paid out in cash. The payout is calculated as the number of vested Rights multiplied by the total of the market appreciation (defined as the differential between the market price of Trust Units at the vesting date and the market price of Trust Units at the date of grant (“Base Price”) of the Right) and associated distributions of a Trust Unit for that period. The Base Price of each unvested Right automatically changes to the market price of the Trust Units on the start of the 12 month period that the Right vests. A tax factor of 1.33 is then applied to determine the amount of the payout.

At March 31, 2009, 900,833 non-vested Rights are outstanding with a collective Base Price of \$0.40.

At March 31, 2008, 2,010,000 non-vested Rights are outstanding with a collective Base Price of \$1.84.

Compensation costs included in general and administrative expenses are as follows:

	Three months ended March 31	
	2009	2008
Total compensation costs	\$ –	\$ 687
Non-cash provision for future compensation expense	\$ –	\$ 172
Rights outstanding, beginning of period	900,833	945,000
Rights issued	–	1,140,000
Rights vested and/or cancelled	–	(75,000)
Non-vested Rights outstanding, end of period	900,833	2,010,000

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2009 and 2008

(amounts in thousands of CAD, except number of Units and per Unit amounts) (unaudited)

### 10. COMMITMENTS

The following are the Trust's contractual obligations as at March 31, 2009:

	Less than one year	1 to 3 years	4 to 5 years	After 5 years	Total
Long-term debt	\$ 10,669	\$ 27,015	\$ 42,266	\$ –	\$ 79,950
Operating leases	15,731	25,306	20,106	41,197	102,340
Total contractual obligations	\$ 26,400	\$ 52,321	\$ 62,372	\$ 41,197	\$ 182,290

### 11. SEGMENTED INFORMATION

The Trust has determined that it operates in four reporting segments: Drilling Services, Production Services, Oil Sands and Water Technology. Within the Trust's four reporting segments, it has seven operating divisions that provide services to one or more of its reporting segments. These operating divisions are Surface Rentals, Camps and Catering, Remote Waste Water Systems, Fluids Handling, Wireline Services, Peak USA and Water Technology.

Expenses other than direct expenses are allocated to the reporting segments based on percentage of assets.

Three months ended March 31, 2009	Drilling Services	Production Services	Oil Sands	Water Technology	Total
Revenue	\$ 28,206	\$ 11,196	\$ 8,831	\$ 2,239	\$ 50,472
Depreciation and amortization	2,941	1,156	229	5	4,331
Interest on long-term debt	770	302	60	1	1,133
Income before other items	2,671	1,108	3,324	362	7,465
Net income	1,283	562	3,216	360	5,421
Total assets (as at 3/31/2009)	200,013	82,854	15,478	1,067	299,412
Capital expenditures	161	343	597	–	1,101

Three months ended March 31, 2008	Drilling Services	Production Services	Oil Sands	Water Technology	Total
Revenue	\$ 22,267	\$ 12,659	\$ 2,655	\$ 286	\$ 37,867
Depreciation and amortization	3,149	1,335	302	5	4,791
Interest on long-term debt	773	328	74	1	1,176
Income (loss) before other items	2,573	1,592	(451)	159	3,873
Net income (loss)	2,084	1,385	(497)	159	3,131
Total assets (as at 3/31/2008)	205,815	92,098	19,532	1,315	318,760
Capital expenditures <sup>(1)</sup>	356	804	–	(57)	1,103

(1) Excludes business acquisitions disclosed in note 3.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2009 and 2008

(amounts in thousands of CAD, except number of Units and per Unit amounts) (unaudited)

### 12. RELATED PARTY TRANSACTIONS

#### For the three months ended March 31, 2009

The Trust has a Sublease Agreement with a company related through two members of PESL's Board of Directors also being directors of the related party. For the three months ended March 31, 2009, \$170 was included as an offset to the Trust's operating expenses. This agreement is considered in the normal course of business and is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. At March 31, 2009, the amounts due to and from the related entity was nil.

#### For the three months ended March 31, 2008

The Trust has a Sublease Agreement with a company related through two members of PESL's Board of Directors also being directors of the related party. For the three months ended March 31, 2008, \$171 was included as an offset to the Trust's operating expenses. The Trust also secured a private placement of Trust Units through a related party of a member of PESL's Board of Directors. A member of PESL's Board of Directors is a director and officer of the related party. For the three months ended March 31, 2008, \$500 was included as a cost offset to proceeds in trust unit capital on the Trust's balance sheet. These agreements are considered in the normal course of business and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. At March 31, 2008, the amounts due to and from the related entities were nil.

### 13. SEASONALITY OF OPERATIONS

A significant portion of the Trust's operations are carried out in western Canada. The ability to move heavy equipment in western Canadian oil and natural gas fields is dependant on weather conditions, whereby thawing in the spring renders many secondary roads incapable of supporting heavy equipment until the ground is dry. In addition, activity in more northern parts of Canada is accessible only in winter months where the ground is frozen deep enough to support the equipment. As a result, the Trust's activity generally follows along with this seasonality, whereby activity is traditionally higher in the first and fourth quarter and lower in the second and third quarter of the year.

**BOARD OF DIRECTORS OF  
PEAK ENERGY SERVICES LTD.**

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Independent Businessman

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Grafton Capital Corporation

STEPHEN C. HAYDEN  
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CURTIS W. WHITTERON  
President and Chief Executive Officer  
Peak Energy Services Ltd.

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DEAN R. HERBERT  
Vice President,  
Human Resources and Administration

JOHN E. HUDSON  
Vice President, Health, Safety, Environment  
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**STOCK EXCHANGE LISTING**

TORONTO STOCK EXCHANGE  
Peak Energy Services Trust, Symbol "PES.UN"

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