



# Press Release

For Immediate Release

March 30, 2010

## Peak Energy Services Trust reports its financial results for the three and twelve months ended December 31, 2009

### Financial and Industry Highlights (unaudited)

(in '000 of CAD, except otherwise noted)	Three months ended December 31			Twelve months ended December 31		
	2009	2008	Change	2009	2008	Change
Revenue	<b>25,513</b>	44,533	-43%	<b>115,162</b>	144,174	-20%
EBITDA <sup>(1)</sup>	<b>(1,061)</b>	8,953	-112%	<b>6,648</b>	22,496	-70%
Per unit – diluted	<b>(0.02)</b>	0.18	-111%	<b>0.14</b>	0.52	-73%
As a percentage of revenue	<b>-4%</b>	20%		<b>6%</b>	16%	
Net loss – continuing operations	<b>(8,571)</b>	(419)	-1,946%	<b>(12,855)</b>	(3,184)	-304%
Per unit – diluted	<b>(0.18)</b>	(0.01)	-1,700%	<b>(0.27)</b>	(0.07)	-286%
Net loss – discontinued operations	-	(176)	100%	<b>(10,620)</b>	(1,643)	-546%
Per unit – diluted	-	-	-%	<b>(0.22)</b>	(0.04)	-450%
Net income (loss)	<b>(8,571)</b>	595	-1,341%	<b>(23,475)</b>	(4,827)	-386%
Per unit – diluted	<b>(0.18)</b>	(0.01)	-1,700%	<b>(0.49)</b>	(0.11)	-345%
Funds from operations <sup>(1)</sup>	<b>(2,049)</b>	6,728	-130%	<b>2,802</b>	16,199	-83%
Per unit – diluted	<b>(0.04)</b>	0.14	-129%	<b>0.06</b>	0.38	-84%
Industry activity <sup>(2)</sup>						
Drilling rig operating days	<b>23,989</b>	34,836	-31%	<b>78,006</b>	134,835	-42%
Service rig utilization	<b>46%</b>	53%		<b>40%</b>	53%	

(1) Refer to the "Non-GAAP Measures" section for further details.

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

This News Release focuses on key information and statistics from Peak Energy Services Trust's ("Peak" or the "Trust") consolidated financial statements and oilfield services industry which contains known and unknown risks and uncertainties. Furthermore, certain statements contained in this News Release are forward-looking. Please review the discussion of these statements in the "Forward-Looking Information" section of this News Release.

Throughout this News Release 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"), funds from operations, working capital, funded debt, net debt and long-term debt to equity ratio. Please review the discussion of these measures in the "Non-GAAP Measures" section of this News Release.

## INDUSTRY ACTIVITY

As compared to the same period in the prior year, for the fourth quarter of 2009 Canadian drilling rig operating days were 31 percent lower, meanwhile, year-to-date Canadian drilling rig operating days were 42 percent lower. Wells drilled for 2009 in Canada were at their lowest level in the past decade at 8,447 wells which compares very negatively with the ten year average of 18,945 wells.

The decrease has been the result of the global economic down-turn and its impact on demand for oil and natural gas and liquidity within the capital markets; an over supply of natural gas which has resulted in downward pressure on natural gas prices; and government policy changes in Alberta through amendments made to royalty rates collected increasing the uncertainty within the oil and natural gas industry.

Adding to the decrease in oil and natural gas industry activity, significant downward pricing pressure has and will continue, as oilfield service organizations are competing for a smaller market of activity. Coupled with low natural gas prices which ultimately drives cash flows of producers and their incentive to add production, the impact of the global economic recession on debt and equity markets is further challenging oil and natural gas industry activity as players that are in the development stage are more adversely impacted since their reliance on financing to fund operations is very significant.

## SELECTED FINANCIAL AND OPERATING INFORMATION

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

- generated revenue of \$25.5 million which was a 43 percent or \$19.0 million decrease over the prior year period revenue of \$44.5 million. The primary drivers of the decrease over the oil and natural gas industry activity level decrease were significant project and product pricing pressures;
- realized negative EBITDA of \$1.1 million (loss of \$0.02 per Unit diluted or negative 4 percent of revenue), a decrease of 112 percent or \$10.0 million over EBITDA for the prior year period of \$9.0 million (\$0.18 per Unit diluted or 20 percent of revenue). On a margin basis, the primary negative impact was the significant decrease in pricing for services;
- realized a loss on sale of equipment of \$4.3 million; and
- posted a net loss of \$8.6 million (loss of \$0.18 per Unit diluted), which was an increase of 1,341 percent or \$8.0 million as compared to a net loss for the prior year period of \$0.6 million (\$0.01 per Unit diluted).

For the year ended December 31, 2009, Peak:

- generated revenue of \$115.2 million which was a 20 percent or \$29.0 million decrease over fiscal 2008 revenue of \$144.2 million. The primary driver of the decrease was the significant decrease in oil and natural gas industry activity of 42 percent compared to 2008;
- realized EBITDA of \$6.6 million (\$0.14 per Unit diluted or 6 percent of revenue), a decrease of 70 percent or \$15.8 million over EBITDA for the prior year of \$22.5 million (\$0.52 per Unit diluted or 16 percent of revenue). On a margin basis, the primary negative impact was the significant decrease in pricing for services;
- recognized a loss on sale of equipment of \$4.4 million. The loss was the result of the current negative market conditions;
- posted a net loss from continuing operations of \$12.9 million (loss of \$0.27 per Unit diluted), which was a increase of 304 percent or \$9.7 million, as compared to a net loss for the prior year of \$3.2 million (loss of \$0.07 per Unit diluted);
- posted a net loss from the discontinued operations of the Wireline operating division of \$10.6 million (loss of \$0.22 per Unit diluted), which was an increase of 546 percent or \$9.0 million as compared to a net loss for the prior year of \$1.6 million (loss of \$0.04 per Unit diluted);
- realized a net loss of \$23.5 million (loss of \$0.49 per Unit diluted), which was an increase of 386 percent or \$18.6 million as compared to a net loss for the prior year of \$4.8 million (loss of \$0.11 per Unit diluted);

- generated funds from operations of \$2.8 million or \$0.06 per Unit diluted (2008 – \$16.2 million or \$0.38 per Unit diluted); and
- in light of materially lower oil and natural gas industry activity levels during 2009, management implemented a significant restructuring plan commencing in February 2009 with additional measures taken in the third quarter of 2009, including the sale of the Wireline operating division. The major components of the plan included a reduction in permanent employee positions, salary and wage reductions and suspension of certain employee benefit programs. Peak expects the restructuring plan will reduce its cost structure by at least \$20.5 million on an annualized basis (including costs associated with discontinued operations), when compared to 2008.

## **CAPITAL RESOURCES**

As compared to December 31, 2008, Peak:

- decreased working capital by \$21.7 million to \$10.2 million;
- decreased tangible capital assets by \$34.9 million to \$205.5 million;
- decreased funded debt by \$19.9 million to \$60.5 million; and
- decreased Unitholders' equity by \$23.1 million to \$150.7 million.

## **LONG-TERM DEBT**

The Trust's long-term debt (including current portion) decreased to \$60.5 million at December 31, 2009, as compared to \$89.0 million at December 31, 2008. Funded debt was \$60.5 million at December 31, 2009, as compared to \$80.4 million at December 31, 2008. Meanwhile, net debt was \$50.4 million at December 31, 2009, as compared to \$57.0 million at December 31, 2008. The long-term debt to equity ratio decreased to 0.40 to 1.00 at December 31, 2009 (December 31, 2008 – 0.51 to 1.00).

The 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 uncertain times. As previously discussed, Peak ceased making distributions to Unitholders to focus cash flows towards debt repayment. Since the merger with Wellco Energy Services Trust ("Wellco"), Peak has reduced its funded debt by \$37.1 million. Furthermore, during 2009 management implemented a significant restructuring plan which has reduced Peak's cost structure by approximately \$12.0 million from 2008 (\$20.5 million on an annualized basis) including costs associated with discontinued operations, has a minimal capital expenditure program and is aggressively pursuing its asset rationalization program, such as the disposal of the Wireline operating division, with a primary focus on further reducing the funded debt outstanding, in light of expected near-term lower industry activity levels.

As at December 31, 2009, the Trust was in breach of the funded net debt to 12 month trailing EBITDA and current ratio financial covenants under its long-term debt agreements. The lenders agreed to waive all existing defaults and events of default under the long-term debt agreements to December 31, 2009. Subsequent to December 31, 2009, the lenders agreed to amend their respective agreements, subject to certain conditions, which as of March 30, 2010, have been satisfied. Refer to the "Subsequent Events" section for additional details.

The Trust has forecasted its financial results for 2010 using its best estimates of the oil and natural gas industry activity levels and its associated operating conditions. Based on its forecast and restructured capital resources, Peak believes it will be able 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, government legislation, hydrocarbon commodity prices, oil and natural gas industry activity levels, availability of debt and/or equity to finance operations, execution of management's business plan and other factors, many of which are beyond the Trust's control. There are no absolute assurances that the Trust will be able to continue as a going concern. Furthermore, it should be noted that given the current economic environment and the impact on oil and natural gas 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, capital resources and going concern assumption.

## **UNITHOLDERS' EQUITY**

Unitholders' equity decreased \$23.1 million to \$150.7 million at December 31, 2009, from \$173.8 million at December 31, 2008. The decrease over the prior year-end was the result of a net loss of \$23.5 million incurred.

Subsequent to December 31, 2009, the Trust completed a private placement financing of \$16.0 million for 80,000,000 Trust Units at \$0.20 per Unit and a rights offering financing of \$8.8 million for 43,985,078 Trust Units at \$0.20 per Unit. Refer to the "Subsequent Events" section for additional details. Management recognizes that the private placement financing was very dilutive to existing Unitholders and therefore believed the follow-on rights offering was the most appropriate vehicle to provide existing Unitholders with the opportunity to participate in the realignment of the Trust's capital resources.

## **SUBSEQUENT EVENTS**

On October 16, 2009, the Trust announced a series of initiatives that were intended to impact the Trust's capital resources. These initiatives included:

- completion of a 12 percent \$22.0 million convertible secured subordinated debenture financing by December 17, 2009; and
- certain amendments to its existing long-term debt agreements.

The debenture financing did not close on December 17, 2009, and was terminated on January 11, 2010 as Peak determined that the debenture financing would not provide the Trust with an appropriate solution to accomplish the Trust's long-term objectives. Costs associated with the financing of \$0.7 million were included in earnings for the year ended December 31, 2009. As a result of the terminated debenture financing, certain amendments to the Trust's long-term debt agreements did not take effect as they were contingent on the completion of the debenture financing by December 17, 2009. Consequently, the Trust was in breach of the funded net debt to 12 month trailing EBITDA financial covenant under its long-term debt agreements at September 30, 2009 and December 31, 2009. In addition, the Trust was in breach of the current ratio financial covenant under its long-term debt agreements at December 31, 2009. The financial covenant breaches gave the lenders certain rights under the long-term debt agreements, among other things, to terminate the agreements, demand indebtedness outstanding as due and payable, realize on all of the Trust's assets secured as collateral and pursue other remedies as permitted in the agreements or applicable law. The lenders agreed to waive all existing defaults and events of default under the long-term debt agreements and amend their respective agreements, subject to certain conditions, which as of March 30, 2010, have been satisfied.

On February 16, 2010, the Trust closed a \$16.0 million private placement financing for 80,000,000 Trust Units at \$0.20 per Unit. The subscribers to the private placement, which included certain Peak Energy Services Ltd. ("PESL") Board of Director members (PESL is the administrator of the Trust), are related parties to the Trust. The private placement was considered by PESL's Board of Directors, exclusive of the related Board of Director members to be reasonable given the circumstances and approved the transaction. Costs of the private placement were approximately \$0.2 million. Net proceeds of the private placement financing were first used to repay and retire the bridge loan of which \$2.0 million was outstanding on closing, with the residual proceeds being used to reduce the syndicated extendable term revolving acquisition loan facility amount outstanding.

On March 30, 2010, the Trust closed a rights offering financing generating \$8.8 million in proceeds by issuing 43,985,078 Trust Units at \$0.20 per Unit. Unitholders who participated in the private placement were not permitted to participate in the rights offering. Costs of the rights offering were approximately \$0.7 million. Net proceeds of the rights offering financing, will be used for general purposes of the Trust, which may include prepayment of existing secured indebtedness of the Trust and/or to fund future growth opportunities.

The Trust relied on the Toronto Stock Exchange's ("TSX") financial hardship exemption rules to obtain all necessary regulatory approvals to complete the equity financing. Reliance on the financial hardship exemption rules automatically result in a TSX delisting review to confirm that the Trust continues to meet TSX listing requirements. On January 29, 2010, the Trust received notice that the TSX is reviewing the Trust's eligibility for continued listing on the TSX pursuant to Part VII of the TSX Company Manual. The Trust is being reviewed under the remedial review process and has been granted 120 days to comply with all requirements for continued listing. If the Trust cannot meet all requirements on or before May 28, 2010, the Trust will be delisted 30 days from such date. The Trust believes that it complies with applicable TSX listing requirements, however no absolute assurances can be made in this regard. If the Trust's securities are delisted from the TSX it could adversely impact the Trust's future access to equity capital.

The long-term debt agreements have been amended as follows:

- the funded net debt to 12 month trailing EBITDA ratio has been waived until June 30, 2011 and the fixed charge coverage ratio which requires the Trust to maintain a specified cash flow to principal debt repayment ratio has been adjusted to be not less than 2.50 to 1.00, except during the period April 1, 2010 to February 28, 2011, where the ratio varies between 0.75 to 1.00 and 2.25 to 1.00;
- the syndicated extendable term revolving acquisition loan facility has been replaced by a \$10.0 million term loan with an interest rate of bank prime rate plus 5.00 percent and a maturity date of August 15, 2012, and a \$15.0 million revolving credit facility with an interest rate of bank prime rate plus 5.00 percent and a maturity date of February 28, 2011. Security of the new loans remains consistent with the syndicated extendable term revolving acquisition loan facility; and
- interest rates on term loan agreements dated August 31, 2005 in the amount of \$30.0 million and June 26, 2006, in the amount of \$10.0 million have been amended to 7.77 percent and 8.69 percent, respectively.

## **OUTLOOK**

Peak is forecasting that the oil and natural gas industry in western Canada will drill approximately 9,500 wells for 2010, which would represent an increase in activity of approximately 13 percent from the 8,447 wells drilled in 2009. While the increased level of drilling activity during the first quarter of 2010 was not unexpected, activity has been surprisingly higher than what was forecast for the period. Industry consensus for wells drilled has started to increase and ranges anywhere from 8,500 to 13,000 wells, however management still expects to see a traditionally slow second quarter coupled with an expected ramp up in activity sometime in the second half of 2010. Although the magnitude of this ramp up remains unknown at this time, management believes there are some signs that may precipitate slightly stronger activity levels for the latter stages of 2010 both in Canada and the US. As confidence grows that the current level of oil prices are sustainable over the longer term, activity in oil plays such as the Cadium, Bakken and the Oil Sands regions of Alberta and Saskatchewan will continue to grow. In addition to this, the continued exploitation of the natural gas resource plays throughout North America will benefit Peak, as evidenced by its growth in market share during the second half of 2009, particularly in the Marcellus shale region of Pennsylvania. Furthermore, Peak is looking at other US regions as possible growth areas for several of Peak's product offerings.

Financial discipline remains at the forefront of priorities for the management of the Trust. Although activity levels have been somewhat higher than anticipated to date for 2010 and the industry is showing some positive signs in terms of increased levels of activity; Peak will continue to focus on its internal operating plan and pricing strategy throughout 2010 to ensure that the Trust remains financially sound through the remainder of this protracted downturn in the oil and natural gas industry. Management is also evaluating other opportunities to further reduce its infrastructure cost to augment the significant reductions already achieved. During 2009, management reduced the Trust's cost structure by approximately \$12.0 million and 2010 stands to be the benefactor of savings of approximately \$20.5 million (including costs associated with discontinued operations), when compared to 2008. Another key area of focus for Peak remains prudent balance sheet management, through continued focus on debt levels and improvement of the Trust's liquidity. The increased financial flexibility that the Trust now has, is due in part to its renegotiated terms and debt structure with its senior lenders as well as the equity financing of \$24.8 million completed in early 2010.

Although the outlook for the oil and natural gas industry in North America remains somewhat uncertain, particularly on the natural gas side, continued strengthening in oil prices and the exploitation of the natural gas resource plays are bringing a rejuvenated level of optimism to the equation. Management continues to believe that the long-term outlook for the oil and natural gas industry in North America remains positive. As the current state of economic instability continues to subside, the underlying strength in the supply and demand fundamentals for oil and natural gas supply should once again come in to balance and be a catalyst for more robust levels of activity over the longer term.

## **NON-GAAP MEASURES**

*EBITDA is defined as earnings before interest, taxes, depreciation and amortization and other items (non-cash expenses, gains / losses and non-operating items). EBITDA is not a recognized measure under Canadian GAAP. Management believes, in addition to net income, EBITDA is a useful supplemental measure as it provides 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 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 may differ from other companies and, accordingly, EBITDA may not be comparable to measures used by other entities.*

*Funds from operations is defined as cash flow from operating activities, as reported in the Canadian GAAP financial statements, before non-cash changes in working capital and funds from discontinued operations. Funds from operations is not a recognized measure under Canadian GAAP. Management believes funds from operations is a useful supplemental measure as it provides an indication of the Trust's cash generating abilities from continuing operations before consideration of capital impacts. Readers should be cautioned that funds from operations 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 funds from operations may differ from other companies and, accordingly, funds from operations may not be comparable to measures used by other entities.*

*Working capital is defined as current assets less current liabilities excluding current portion of long-term debt. Working capital is not a recognized measure under Canadian GAAP. Management believes working capital provides 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 working capital may differ from those used by other entities and, accordingly, may not be comparable to measures used by other entities.*

*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.*

*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.*

## **FORWARD-LOOKING INFORMATION**

*This news release 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. The forward-looking statements contained in this news release are made as of the date hereof. Additionally, the Trust undertakes no obligation to comment on expectations of, or statements made by, third parties in respect of this news release.

In particular, forward-looking information includes the following statements within this news release regarding the expectations of: the geopolitical and global economic future; expectations of improvement in future oil and natural gas industry activity levels, hydrocarbon supply/demand balance and associated hydrocarbon commodity pricing; the cyclical and seasonal nature of activity within the oil and natural gas industry; 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; management's business plan, including the fiscal 2010 plan and expectations for Peak's operations and cash flows provided by continuing operations; the Trust's ability to increase market share in various geographical regions; 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; expectations that the realignment of Peak's capital resources will improve liquidity and financial flexibility; the Trust's financing strategy and compliance with debt covenants; Peak's working capital changes; and management's financing strategy for managing Peak's liquidity and capital resources.

As a result, you are cautioned not to place undue reliance on these forward-looking statements. 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 recession; public market volatility and the related ability to access sufficient capital to fund activities; availability to access debt financing to fund activities; government policy changes; changes in laws or regulations, including taxation and environmental regulations; liabilities inherent in the oil and natural gas field services business; 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.

## **CONFERENCE CALL**

Management will hold a conference call to discuss the quarter and year-end results at 9:30 a.m. MT (11:30 a.m. ET) on Wednesday, March 31, 2010. To participate, please dial 1 (866) 223-7781 or 1 (416) 340-8018. Participants are asked to call at least 10 minutes before the start of the call. For those unable to participate in the live call, a replay will be available until Wednesday, April 7, 2010, by dialing 1 (800) 408-3053 or 1 (416) 695-5800, verbal pass code 8436142.

## FINANCIAL RESULTS

The following selected financial information summarizes Peak's consolidated financial results for the three and 12 months ended December 31, 2009. Peak's annual report, is available at [www.sedar.com](http://www.sedar.com) or [www.peak-energy.com](http://www.peak-energy.com).

### CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

<i>(in thousands of CAD, except per Unit amounts)</i>	Three months ended		Twelve months ended	
	December 31,		December 31,	
	2009	2008	2009	2008
Revenue	\$ 25,513	\$ 44,533	\$ 115,162	\$ 144,174
Expenses:				
Operating	19,254	27,774	78,029	88,589
General and administrative	7,204	8,663	29,999	34,198
Foreign exchange loss	59	-	371	-
Unit-based compensation	3,298	4,042	13,535	16,217
Depreciation and amortization	1,254	1,318	4,462	5,168
Interest on long-term debt	116	(857)	486	(1,109)
	31,185	40,940	126,882	143,063
Income (loss) before other items from continuing operations	(5,672)	3,593	(11,720)	1,111
Other items:				
Loss on sale of equipment	4,337	85	4,433	619
Costs of terminated debenture financing	746	-	746	-
Impairment loss on property held for sale	-	220	-	220
Impairment loss on goodwill	-	1,409	-	1,409
	5,083	1,714	5,179	2,248
Income (loss) before income taxes from continuing operations	(10,755)	1,879	(16,899)	(1,137)
Provision for income taxes:				
Current expense (recovery)	(926)	476	(1,454)	913
Future expense (reduction)	(1,258)	1,822	(2,590)	1,134
	(2,184)	2,298	(4,044)	2,047
Net loss from continuing operations	(8,571)	(419)	(12,855)	(3,184)
Net loss from discontinued operations	-	(176)	(10,620)	(1,643)
Net loss and comprehensive loss	(8,571)	(595)	(23,475)	(4,827)
Deficit, beginning of period	(69,917)	(54,418)	(55,013)	(50,186)
Deficit, end of period	\$ (78,488)	\$ (55,013)	\$ (78,488)	\$ (55,013)
Loss per Unit from continuing operations:				
Basic	\$ (0.18)	\$ (0.01)	\$ (0.27)	\$ (0.07)
Diluted	\$ (0.18)	\$ (0.01)	\$ (0.27)	\$ (0.07)
Loss per Unit from discontinued operations:				
Basic	\$ -	\$ -	\$ (0.22)	\$ (0.04)
Diluted	\$ -	\$ -	\$ (0.22)	\$ (0.04)
Loss per Unit:				
Basic	\$ (0.18)	\$ (0.01)	\$ (0.49)	\$ (0.11)
Diluted	\$ (0.18)	\$ (0.01)	\$ (0.49)	\$ (0.11)

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

<i>(in thousands of CAD)</i>	Three months ended		Twelve months ended	
	December 31,		December 31,	
	2009	2008	2009	2008
<b>Operating activities:</b>				
Net loss from continuing operations	\$ (8,571)	\$ (419)	\$ (12,855)	\$ (3,184)
Add (deduct) items not affecting cash:				
Unit-based compensation	59	-	371	-
Depreciation and amortization	3,298	4,042	13,535	16,217
Amortization of long-term debt financing costs	24	-	24	-
Loss on sale of equipment	4,337	85	4,433	619
Impairment loss on property held for sale	-	220	-	220
Impairment loss on goodwill	-	1,409	-	1,409
Unrealized foreign exchange loss (gain)	62	(431)	(116)	(216)
Future income taxes (reduction)	(1,258)	1,822	(2,590)	1,134
	<b>(2,049)</b>	<b>6,728</b>	<b>2,802</b>	<b>16,199</b>
Changes in non-cash working capital items	<b>(987)</b>	<b>5,979</b>	<b>11,955</b>	<b>17,621</b>
	<b>(3,036)</b>	<b>12,707</b>	<b>14,757</b>	<b>33,820</b>
<b>Discontinued operations:</b>				
Funds provided by (used in) discontinued operations	-	367	(736)	326
Changes in non-cash working capital items of discontinued operations	-	(79)	1,125	(79)
	<b>-</b>	<b>288</b>	<b>389</b>	<b>247</b>
	<b>(3,036)</b>	<b>12,995</b>	<b>15,146</b>	<b>34,067</b>
<b>Investing activities:</b>				
Business acquisition	-	-	-	(8,740)
Purchase of equipment	(2,116)	(9,571)	(5,911)	(17,847)
Proceeds on sale of equipment	1,286	5	1,897	14,418
Proceeds on sale of property held for sale	-	-	3,580	-
	<b>(830)</b>	<b>(9,566)</b>	<b>(434)</b>	<b>(12,169)</b>
Changes in non-cash working capital items	<b>(14)</b>	<b>(51)</b>	<b>(991)</b>	<b>482</b>
	<b>(844)</b>	<b>(9,617)</b>	<b>(1,425)</b>	<b>(11,687)</b>
<b>Discontinued operations:</b>				
Funds provided by (used in) discontinued operations	-	(106)	5,151	(106)
	<b>-</b>	<b>(106)</b>	<b>5,151</b>	<b>(106)</b>
	<b>(844)</b>	<b>(9,723)</b>	<b>3,726</b>	<b>(11,793)</b>
<b>Financing activities:</b>				
Increase in bridge loan	1,000	-	1,000	-
Increase in long-term debt	-	2,473	-	76,591
Repayment of long-term debt	856	(350)	(28,111)	(101,832)
Long-term debt financing costs	(332)	-	(332)	-
Issue of Trust Units	-	-	-	10,500
Trust Units issue cost	-	-	-	(577)
	<b>1,524</b>	<b>2,123</b>	<b>(27,443)</b>	<b>(15,318)</b>
Foreign exchange loss (gain) on cash held in foreign currency	5	7	6	(8)
Increase (decrease) in cash and cash equivalents	<b>(2,351)</b>	<b>5,402</b>	<b>(8,565)</b>	<b>6,948</b>
Cash and cash equivalents, beginning of period	<b>2,351</b>	<b>3,163</b>	<b>8,565</b>	<b>1,617</b>
Cash and cash equivalents, end of period	<b>\$ -</b>	<b>\$ 8,565</b>	<b>\$ -</b>	<b>\$ 8,565</b>

**CONSOLIDATED BALANCE SHEETS**

<i>(in thousands of CAD)</i>	<b>December 31, 2009</b>	December 31, 2008
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ -	\$ 8,565
Accounts receivable	23,394	43,645
Income taxes recoverable	726	-
Prepaid expenses	2,172	2,175
Inventory	1,425	1,398
Assets of discontinued operations	-	1,903
	<b>27,717</b>	<b>57,686</b>
Property and equipment	<b>205,524</b>	218,306
Intangibles	<b>1,943</b>	3,113
Property held for sale	-	3,580
Assets of discontinued operations	-	18,528
	<b>\$ 235,184</b>	<b>\$ 301,213</b>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 16,335	\$ 23,942
Bridge loan	1,000	-
Income taxes payable	-	838
Current portion of long-term debt	10,856	9,012
Current portion of deferred lease inducements	201	201
Liabilities of discontinued operations	-	778
	<b>28,392</b>	<b>34,771</b>
Long-term debt	<b>49,692</b>	79,955
Deferred lease inducements	<b>1,723</b>	1,923
Future income taxes	<b>4,664</b>	10,747
Unitholders' equity:		
Trust Unit capital	227,347	227,347
Contributed surplus	1,854	1,483
Deficit	<b>(78,488)</b>	<b>(55,013)</b>
	<b>150,713</b>	<b>173,817</b>
	<b>\$ 235,184</b>	<b>\$ 301,213</b>

## **About Peak Energy Services Trust**

Peak Energy Services Trust is a diversified energy services organization operating in western Canada and the United States of America. Through its various operating divisions, Peak provides drilling and production services to its customers both in the conventional oil and 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. Peak's units are listed on the Toronto Stock Exchange under the symbol "PES.UN".

The TSX have neither approved nor disapproved the information contained herein.

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