MANAGEMENT'S DISCUSSION AND ANALYSIS

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

For the year ended December 31, 2008 (restated)

The following management's discussion and analysis ("MD&A") of financial condition, results of operations and cash flows for the year ended December 31, 2008, should be read in conjunction with Peak Energy Services Trust's ("Peak" or the "Trust") audited annual consolidated financial statements for the years ended December 31, 2008 and 2007 and the notes contained therein. 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. This MD&A was prepared effective February 24, 2009 and February 11, 2010 for discontinued operations and subsequent events.

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 commodity 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; realized Peak and Wellco merger synergies; 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 potential environmental liabilities; the impact of future accounting standards on the Trust's financial statements.

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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 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 (loss), standardized distributable cash ("SDC"), adjusted distributable cash ("ADC"), payout ratio of ADC and SDC, working capital, current ratio, funded debt, net debt, long-term debt to equity ratio and funded debt to EBITDA ratio. Please review the discussion of these measures in the "Non-GAAP Measures and Reconciliations" section of this MD&A.

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

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DESCRIPTION OF BUSINESS

Peak 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.

As a result of the merger with Wellco Energy Services Trust ("Wellco") which took effect on March 12, 2008 (refer to "Liquidity – Investing Activities" section of this MD&A for details), Peak realigned its reporting segments as follows:

DRILLING SERVICES

The Trust's Drilling Services reporting segment provides a broad range of equipment and services that play a key role in the drilling phase of a well bore. The objective of this reporting segment is to continue to foster customer relationships and to provide a high level of service and quality equipment that will ultimately help the Trust's customers enhance their drilling programs and reduce costs at the wellhead. The four operating divisions within this reporting segment are Surface Rentals, Camps and Catering, Remote Waste Water Systems and Peak USA. The Trust's main competitive advantage in the Drilling Services area is Peak's ability to put together comprehensive packages for its customers over a broad geographic region.

PRODUCTION SERVICES

The Trust's Production Services reporting segment provides a broad range of equipment and services that play a key role in the production and completion phases of a well bore. The objective of this reporting segment is to continue to foster customer relationships and to provide a high level of service and quality equipment that will ultimately help Peak's customers enhance their production programs and reduce costs at the wellhead. The two operating divisions within this reporting segment are Fluids Handling and Surface Rentals. The Trust's main competitive advantage in the Production Services area is Peak's ability to put together comprehensive packages for its customers over a broad geographic region.

OIL SANDS

The Trust's Oil Sands reporting segment provides services supporting customers' activities focused on the extraction of hydrocarbons from the oil sands. The three current operating divisions within this reporting segment are Camps and Catering, Remote Waste Water Systems and Fluids Handling. In addition, certain Surface Rentals operating division activities are associated with the oil sands, however this currently is not a major source of revenue for the Trust.

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

For the year ended December 31, 2008 (restated)

WATER TECHNOLOGY

The Water Technology reporting segment operates under the Sanitherm trade name and is engaged in the design and assembly of both permanent and portable water and waste water treatment systems.

Within Peak's four reporting segments, it has six operating divisions that provide equipment and services to one or more of its reporting segments. These operating divisions are:

Surface Rentals – within this operating division the following equipment and services are provided:

- Solids control – the rental of sumpless drilling systems comprised of a series of tanks and centrifuges that are used primarily for the removal of drill cuttings from the drilling fluid as it is circulated out of the well bore;
- Well-site accommodations – the rental of high-quality well-site accommodation units used as office and living quarters for personnel on drilling rig locations; and
- Production equipment – the rental of frac/production tanks, blow-back tanks, flare stacks, light towers, service rig equipment and miscellaneous production and completion equipment.

Camps and Catering – the provision of camp accommodations for drilling, pipeline and oil sand related crews, including full-service on-site catering, water supply and housekeeping in remote locations.

Remote Waste Water Systems – the rental of waste water management systems for the processing of grey and black water effluent in remote locations.

Fluids Handling – the provision of tank truck and related services for production, completion and oil sands activities.

Peak USA – this operating division offers the same equipment and services as the Surface Rentals operating division. Its primary product line is solids control. Although it offers the same services as the Surface Rentals operating division, due to its geographical location, customer base, economic drivers and operating activities in relation to Peak's other Surface Rentals operations it is unique enough to warrant its own operating division.

Water Technology – this operating division offers water and waste water treatment design and fabrication services. Water Technology operates under the trade name Sanitherm and includes design, assembly and sales of both permanent and portable water and waste water treatment systems.

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

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VISION AND STRATEGY

Since 1996, Peak has experienced significant growth by acquiring complementary service companies, integrating services and diversifying product lines. The Trust's integrated product offering and broad geographical range benefit customers by increasing efficiencies and reducing costs. Peak's overall vision is embodied in its vision statement:

"Peak will focus on disciplined growth through acquisitions and internal expansion of existing and new businesses."

The Trust is focused on growing the business, which can be measured in several quantitative and qualitative terms such as the balance sheet, revenues, EBITDA, net income, standardized distributable cash, adjusted distributable cash, cash distributions, enterprise value, market capitalization, geographical reach, number of assets, service quality, customer satisfaction, safety and number of employees. No one measure completely defines this growth, however the key fundamental is **"disciplined growth"** that achieves accretive results for all stakeholders.

Peak executes its vision through implementation of its strategy. This strategy is captured in Peak's mission statement:

"Peak is a proactive, solutions driven organization. We are committed to being an industry leader, providing a progressive, innovative, team-oriented environment, maximizing value for all stakeholders."

At the very foundation of this strategy is Peak's revenue generating assets and people. Peak's focus is on providing its customers with **"Superior Equipment and Exceptional Service"**, which is not possible without quality equipment and committed employees.

In order to achieve **Superior Equipment**, Peak places special emphasis on continually finding ways to improve the quality and reliability of its revenue generating assets through the implementation of:

- best practice preventative maintenance programs for its product lines;
- an acquisition due diligence program with specific criteria focusing on the qualitative aspects of assets being acquired; and
- an asset rationalization program, whereby equipment identified as sub-standard and not generating an appropriate rate of return is disposed of so that the proceeds can be reinvested in higher quality equipment expected to generate higher returns on invested capital.

For Peak, **Exceptional Service** encompasses meeting the needs of its customers on several different fronts. Specific focus is placed on:

- demonstrating commitment to the oil and natural gas services industry by being a leader in the product lines and services that Peak chooses to provide;

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- offering complementary, integrated products and services thereby reducing the number of suppliers Peak's customers are required to utilize; and
- having a broad geographical platform to deliver Peak's products and services though having branch locations in all the key areas of western Canada and the mid-west United States of America to service our customers.

To achieve the **"disciplined growth"** objective of Peak's vision, strategic business acquisitions and internal capital expenditures are key. Timing of strategic business acquisitions within the oil and natural gas industry cycle is critical for these transactions to be accretive from a financial perspective, as sellers' purchase price expectations tend to vary with industry activity. Peak's strategy is to maintain a strong financial position and undrawn acquisition loan facilities so that when accretive, strategic business acquisition opportunities arise, Peak is positioned to capitalize. The lagging downturn in overall industry activity levels that has plagued the oilfield services industry since late 2006 and which appears will worsen in 2009 based on current expectations has tested Peak's financial position and is the driver behind management's focus on debt reduction. This debt reduction focus is to improve Peak's financial position so it will be in an stronger position to capitalize on strategic business acquisition opportunities when they present themselves. Key evidence of this debt repayment focus are Peak's announced cost restructuring initiatives, recent lower capital expenditures and suspension of distributions to Unitholders.

Furthermore, significant internal capital expenditures require both financial resources and supplier relationships. Peak's strategy is to build long-term relationships with its key suppliers to ensure access to materials and resources in times of high industry activity levels when supply cannot meet demand. The Trust's infrastructure is critical for successful integration of strategic business acquisitions and deployment of significant internal capital expenditures. Another key element of Peak's strategy is to build a "plug and play" scalable infrastructure, which includes management, sales and marketing, finance, information technology and systems, human resources and administration and health, safety and environment. In addition, having a broad geographical platform gives Peak a competitive advantage, as it facilitates timely deployment and support of equipment to meet customer needs.

Ultimately, Peak's strategy is driven by the goal of **"maximizing value"** for all of Peak's stakeholders. The stakeholders' measurement of value differs based on their perspective, however one thing common to all of them meeting their goals, is their dependence on Peak's financial stability and success. The Trust's key measurement of this is its overall return provided to its Unitholders. A key factor to this overall return is consistency of the Trust's ability to generate cash flow that it can either retain for reinvestment or distribute to Unitholders. Historically, Peak has been highly levered towards drilling related activities that offer higher margins, but are more cyclical and seasonal in nature. Since converting to an income trust in fiscal 2004, Peak has shifted its acquisition and capital expenditure strategy bias away from the more direct drilling related opportunities to create a more balanced revenue base. Although non-drilling oilfield service related opportunities tend to generate slightly lower margins, they also tend to be less cyclical and seasonal in nature, providing desired stability to the Trust's ability to generate cash flow in times of lower conventional oil and natural gas industry activity.

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INDUSTRY ACTIVITY

For fiscal 2008, industry activity levels played out better than what management expected exiting 2007, as Canadian drilling rig operating days were 11 percent higher than the prior year. Meanwhile Canadian service rig utility was down slightly to 53 percent.

Although Canadian drilling rig operating days increased in 2008 as compared to 2007, the number of wells drilled decreased 9 percent year-over-year. The decrease in wells drilled is reflective of the industry's shift in focus of both provincial jurisdiction and resource target. This shift in focus has translated into the average days/well increasing to 7.9 days/well for 2008, as compared to 6.5 days/well for 2007. The general trend for Alberta has been a greater focus on deeper natural gas targets as technology advancements and the new Alberta royalty rates that take effect in 2009 provide certain types of rate relief to this type of activity that continue to make these targets attractive. The offsetting Alberta casualty has been shallow natural gas as the new Alberta royalty rates that take effect in 2009 have negatively impacted the overall returns on these targets. Meanwhile, technology advancements and neutral government intervention have made targets in Saskatchewan (Bakken play) and British Columbia (Horn River and Montney plays) more attractive. This trend bodes well for the Trust's Drilling Services reporting segment as it has a geographical presence in all of these areas and its Surface Rentals operating division assets are more likely to be utilized with these types of activities.

Although activities increased for 2008 as compared to the prior year, Canadian drilling rig operating days are still significantly below their all time highs in 2005 / 2006. This has been the result of:

- near-term weakness in natural gas pricing driven primarily by the larger than historical norm of natural gas inventory in North America. The Western Canadian Sedimentary Basin ("WCSB") recent years' drilling activity has been between 60 and 70 percent natural gas oriented;
- until the fourth quarter of 2008, significant appreciation in value of the Canadian dollar against the American dollar as hydrocarbon commodities produced in Canada are primarily priced in American dollars, hence negatively impacting Peak's customers' revenues; and
- the Alberta provincial government's decision in October 2007 to increase the Alberta royalty rates paid by producers effective January 1, 2009. The increased royalty rates will reduce producers' return on Alberta related investments. 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.

Partially offsetting the above negative factors was that until the fourth quarter, oil prices were at all time highs and this motivated some producers to focus their efforts towards oil related activities, partially offsetting the lack of focus on natural gas related activities.

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

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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. These market conditions have materially impacted oil prices which have retreated from their all time highs which were in excess of $140.00 USD/Bbl. in July 2008 to recent lows of below $40.00 USD/Bbl. in February 2009.

North American natural gas pricing has also experienced a similar retreat to oil as pricing is currently lower than 2007. Effectively, all of the recent pricing gains achieved since February 2008, that increased optimism that natural gas directed activities in Canada were going to rebound from recent low levels of activity evaporated by the third quarter and has continued to trend downward. As mentioned in our quarterly MD&A's for 2008, concerns regarding the near-term supply/demand fundamentals and the market conditions driven by the global economic crisis has put negative pressure on natural gas pricing. Natural gas storage injections are largely been driven by the aggressive natural gas drilling activities that have occurred in the United States of America over the past few years. This has more than offset the decline in Canadian natural gas directed activities over the past two years.

Partially cushioning the hydrocarbon commodity price declines has been the devaluation of the Canadian dollar against the American dollar which has retreated relatively in step with the hydrocarbon commodity price deterioration.

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. This negative trend has intensified significantly in 2009 as industry analysts, which management concurs with, are now forecasting a decrease of between 15 and 30 percent in Canadian drilling rig operating days over 2008, with the current trend of a lower number of wells with a longer duration for each well being drilled continuing. 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 natural 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.

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OVERALL PERFORMANCE

(in thousands of CAD, except as otherwise noted)	2008	2007	% Change
	(restated)	*(restated)*	
Revenue	144,174	96,656	49
EBITDA [1]	21,387	23,204	–8
Per unit – diluted	0.48	0.84	–43
As a percentage of revenue	15%	24%	
Net income (loss) from continuing operations	(3,184)	6,010	–153
Per unit – diluted	(0.07)	0.22	–132
Net loss from discontinued operations	(1,643)	(13,736)	88
Per unit – diluted	(0.04)	(0.50)	92
Net loss	(4,827)	(7,726)	38
Per unit – diluted	(0.11)	(0.28)	61
Standardized distributable cash [1]	3,541	9,675	–63
Per unit – diluted	0.08	0.35	–77
Adjusted distributable cash [1]	21,266	19,688	8
Per unit – diluted	0.48	0.71	–32
Unitholder return on investment [2]	–67%	–49%	
Pre-tax return on Unitholders' equity [3]	–%	1%	
Distributions declared to Unitholders	–	16,896	–100
Per unit	–	0.610	–100
Payout ratios [1] [4]			
Standardized distributable cash	–%	175%	
Adjusted distributable cash	–%	86%	
Net capital expenditures [5]	50,647	10,424	386
Tangible capital assets	221,886	186,692	19
Long-term debt	88,967	70,750	–26
Funded debt [1] [6]	80,402	69,133	–16
Net debt [1] [7]	57,040	51,935	–10
Total liabilities	127,396	102,175	–25
Unitholders' equity	173,817	138,737	25
Working capital [1] [8]	31,927	18,815	70
Current ratio [1] [9]	2.24:1	2.66:1	
Long-term debt to equity ratio [1] [10]	0.51:1	0.51:1	
Funded debt to EBITDA ratio [1] [11]	3.76:1	2.98:1	
Trust Units outstanding (thousands)	48,398	27,698	75
Canadian industry activity [12]			
Drilling rig operating days	134,816	120,961	11
Drilling rig utilization	42%	38%	
Wells drilled	16,978	18,542	–8
Service rig utilization	53%	57%	

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

(2) Unitholder return on investment ("ROI") is defined as the total capital appreciation in the market value of a Trust Unit plus distributions declared during the period divided by market value of a Trust Unit at the beginning of the period.

(3) Pre-tax return on equity ("ROE") is defined as the income before other items divided by the average Unitholders' equity over the period.

(4) Payout ratio is calculated as distributions declared divided by either standardized distributable cash or adjusted distributable cash.

(5) Net capital expenditures include mergers, business acquisitions and purchase of capital assets, net of proceeds on disposals of capital assets and excludes discontinued operations.

(6) Funded debt is defined as long-term debt, including current portion of long-term debt less cash.

(7) Net debt is defined as long-term debt, including current portion of long-term debt, less working capital.

(8) Working capital is defined as current assets less current liabilities excluding current portion of long-term debt.

(9) Current ratio is defined as current assets divided by current liabilities excluding current portion of long-term debt.

(10) Long-term debt to equity ratio is defined as long-term debt including current portion of long-term debt divided by Unitholders' equity.

(11) Funded debt to EBITDA ratio is defined as long-term debt including current portion of long-term debt divided by the trailing 12 month EBITDA. Note this ratio is relatively consistent with the loan facilities covenant net funded debt to EBITDA ratio as detailed in the "Adjusted Distributable Cash – Financial Covenants" and "Capital Resources – Long-term Debt" sections of this MD&A, however there are certain pro forma adjustments required under the loan facilities agreements that will cause these ratios to differ. At December 31, 2008, the net funded debt to EBITDA ratio as defined in the facilities agreements was 2.72 to 1.00 (2007 – 2.91 to 1.00) .

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

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For 2008, Canadian drilling rig operating days were higher than 2007 at 134,816 days, representing an increase of 11 percent. Year-over-year Canadian drilling rig utilization was 42 percent (2007 – 38 percent). Saskatchewan contributed 57 percent (Alberta 17 percent; British Columbia 14 percent) of the overall increase for the year as drilling rig operating days within the province increased 46 percent (Alberta 3 percent; British Columbia 12 percent). The geographical shift in activity is a direct reflection of the producers' reaction to the Alberta royalty rate changes that take effect in 2009. Furthermore, activity has been focused on deeper / longer wells as 16,978 wells were drilled (2007 – 18,542 wells) with the average days/well increasing to 7.9 days/well (2007 – 6.5 days/well). Meanwhile, Canadian service rig utility was down marginally year-over-year with overall utilization of 53 percent (2007 – 57 percent).

For the year ended December 31, 2008, Peak:

- generated revenue of $144.2 million which was a 49 percent or $47.5 million increase over fiscal 2007 revenue of $96.7 million. The primary drivers of the increase over the industry activity level increase were the impact of Peak's merger with Wellco and the strategic business acquisition of a fluids handling business referred to as Amwest during 2008 (refer to "Liquidity – Investing Activities" section of this MD&A for details);

- realized EBITDA(1) of $21.4 million ($0.48 per Unit diluted or 15 percent of revenue), a decrease of 8 percent or $1.8 million over EBITDA for the prior year of $23.2 million ($0.84 per Unit diluted or 24 percent of revenue). On a margin basis, the primary negative impact was the lower margins on certain merged operating activities which have lower margins as compared to Peak's historical operating divisions;

- incurred $2.0 million ($1.5 million, net of tax) in succession planning and financing costs that were indirectly related to the merger with Wellco and incurred an impairment loss on goodwill of $1.4 million. Exclusive of these impacts, Peak posted an adjusted loss(1) of $1.9 million (loss of $0.04 per Unit diluted), which was a decrease of 127 percent or $9.2 million as compared to an adjusted income for fiscal 2007 of $7.2 million ($0.26 per Unit diluted);

- posted a net loss of $4.8 million (loss of $0.11 per Unit diluted), which was an improvement of 38 percent or $2.9 million as compared to a net loss for the prior year of $7.7 million (loss of $0.28 per Unit diluted);

- generated adjusted distributable cash (1) of $21.3 million or $0.48 per Unit diluted (2007 – $19.7 million or $0.71 per Unit diluted), of which zero distributions ($0.00 per Unit) were made to Unitholders during the current year resulting in a payout ratio of zero percent (2007 – $16.9 million ($0.61 per Unit) or 86 percent);

- completed a public merger with Wellco on March 12, 2008. Included in the year-to-date results of Peak are the activities subsequent to March 12, 2008 of the former Wellco entity as a result of the merger.

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

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 revenue of $171.0 million, EBITDA[(1)] of $29.9 million ($0.62 per Unit diluted or 17 percent of revenue) and net income of nil ($nil per Unit diluted);

- completed the acquisition of a fluids handling business referred to as "Amwest" on August 15, 2008 for a total consideration of $7.4 million which included cash of $0.2 million. Included in the acquisition was $3.8 million of land and building that Peak sold subsequent to year-end. The sold property was classified as property held for sale as management committed to a formal plan to sell the property; and
- divested of its electric line (part of the Wireline Services operating division) and access matting (part of the Surface Rentals operating division) product lines which were deemed non-core assets to Peak for gross proceeds of $9.3 million. This was part of the Trust's ongoing asset rationalization program, whereby non-core assets identified as not generating an appropriate rate of return are earmarked for disposal, giving the Trust the opportunity to reinvest the proceeds in assets that are expected to generate improved returns on invested capital.

As compared to December 31, 2007, Peak:

- increased working capital [(1)] by $13.1 million to $31.9 million;
- increased tangible capital assets by $35.2 million to $221.9 million;
- increased funded debt [(1)] by $11.3 million to $80.4 million; and
- increased Unitholders' equity by $35.1 million to $173.8 million.

POST MERGER INTEGRATION

On March 12, 2008, Peak completed a public merger transaction with Wellco (refer to "Liquidity – Investing Activities" section of this MD&A for details), however this was only the first of many significant steps to successfully merge the two entities. Since this date, Peak has been aggressively working on integrating the people, processes and systems of the two pre-merged entities to achieve the expected synergies of the merger. Peak has accomplished several key milestones in this regard. The more significant achievements are:

- physically moved all of the former head office Wellco employees to Peak's head office;
- subleased the former Wellco head office space;
- completed certain subsidiary legal restructuring for tax and operating efficiencies;
- realigned Peak's operating divisions;

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

- realigned the operational and support employee reporting structure;
- migrated all of the former Wellco legacy systems, processes and data to Peak's Enterprise Resource Planning system (ERP System); and
- renegotiated and consolidated the pre-merged entities insurance policies.

Certain of the expected synergies are difficult to quantify with certainty due to their nature, however management believes it has achieved its expected annualized synergies of $5.5 million as a result of the merger.

KEY PERFORMANCE DRIVERS AND MEASURES

KEY PERFORMANCE DRIVERS

Peak believes the following key performance drivers are critical to its success:

- geopolitical conditions, which can impact global hydrocarbon commodity supply/demand and influence hydrocarbon commodity pricing;
- current and forecasted hydrocarbon commodity prices, including the impact of foreign exchange, and the resulting cash flows, access to debt and equity financing that ultimately influence Peak's customers' (oil and natural gas producers and explorers) capital programs and their activity levels;
- customers' expectations as to future oil and natural gas prospects in the WCSB;
- weather conditions, which can limit activity levels in the WCSB and impact the overall demand for natural gas, heating oil and other hydrocarbon based products;
- ability to attract and retain key personnel;
- availability of strategic business acquisition opportunities at purchase price levels that are accretive and availability of materials and resources to meet internal capital expenditure requirements;
- interest rates and related access to debt and equity facilities to support operating and growth activities; and
- effects of non-industry forces such as government and securities regulators, which may create uncertainty and potential additional costs or savings, impacting industry activity levels and profit margins.

KEY PERFORMANCE MEASURES

Several of the key performance drivers detailed are outside of Peak's control, however there are certain key performance measures that Peak utilizes to evaluate its performance and success of its strategy on achieving its vision. These key performance measures are:

- **Unitholder ROI –** For fiscal 2008, Unitholder ROI was negative 67 percent (2007 – negative 49 percent). Peak's relatively high fixed cost infrastructure has worked against Peak during the past two years as lower industry activity levels have adversely impacted this measure. It should be noted that this high fixed cost infrastructure provides significant positive leverage for Peak in periods of higher industry activity. Peak has aligned its key management with Unitholders by mirroring this measure through a market based incentive plan which is detailed in note 17 to the consolidated financial statements.

- **Pre-tax ROE –** For fiscal 2008, Peak achieved a pre-tax ROE of nil (2007 – 1 percent). The same factors discussed in Unitholder ROI impact this measure. It should be noted that this measure drives variable compensation potential for all employees, indirectly aligning them with Unitholders.

- **Return on invested capital –** ("ROIC") is defined as net income generated divided by total capital outlay. ROIC is used by Peak to evaluate strategic business acquisitions and significant internal capital expenditure opportunities. Peak targets an ROIC that will be accretive to pre-tax ROE when evaluating investment opportunities.

- **Adjusted distributable cash ratio –** In late 2007, the Trust changed its financing strategy and ceased making cash distributions. For fiscal 2008, the Trust declared no distributions or zero percent of adjusted distributable cash (2007 – 86 percent).

- **Customer satisfaction –** Although not easily quantified, Peak measures customer satisfaction based on several qualitative factors. The most significant of these is customer loyalty demonstrated through repeat business.

- **Employee satisfaction –** Peak conducts periodic employee surveys and monitors turn-over in key positions within the organization to evaluate employee satisfaction. In addition, Peak has a "Confidence Line" program for employees to express grievances on a confidential basis which management and the Board of Directors monitor and evaluate on a periodic basis.

- **Environmental stewardship and safety –** The Trust has a comprehensive health, safety and environmental ("HSE") policy and program which are disclosed on Peak's web site. Peak uses several criteria to measure success of the program, with one of the more significant being the achievement and maintenance of a Certificate of Recognition ("COR") from the provinces of Alberta and British Columbia. The program is applied across the organization and is continually upgraded and expanded each year to effectively reduce workplace incidents. In 2008, Peak introduced its "Climb to Zero" program which is an extensive campaign focused on HSE leadership and culture.

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

For the year ended December 31, 2008 (restated)

SELECTED ANNUAL INFORMATION

(in thousands of CAD, except as otherwise noted)	2008	2007	2006
	(restated)	*(restated)*	*(restated)*
Revenue	144,174	96,656	104,808
Net income (loss) from continuing operations	(3,184)	6,010	103
Earnings (loss) per Unit – basic and diluted	(0.07)	0.22	–
Net income (loss) from discontinued operations	(1,643)	(13,736)	3,378
Earnings (loss) per Unit – basic and diluted	(0.04)	(0.50)	0.13
Net income (loss)	(4,827)	(7,726)	3,481
Earnings (loss) per Unit – basic and diluted	(0.11)	(0.28)	0.13
Adjusted distributable cash per Unit (1)	0.48	0.71	1.13
Distributions declared per Unit	–	0.610	1.075
Total assets	301,213	240,912	271,681
Long-term debt (including current portion)	88,967	70,750	67,750

INDUSTRY ACTIVITY LEVELS

The oil and natural gas services industry is highly reliant on the levels of capital expenditures made by oil and natural gas producers and explorers. Certain of the factors and related risks of this are detailed in "Business Risks – Volatility of Industry Conditions" section of this MD&A. The segments of the oil and natural gas services industry in which Peak operates are heavily reliant on the level of drilling activity in western Canada. In the past three years, the number of Canadian drilling rig operating days were 158,427 days in 2006, 120,961 days in 2007 and 134,816 days in 2008, representing a 24 percent decrease in industry activity between 2006 and 2007 and an 11 percent increase in industry activity between 2007 and 2008. Correspondingly, the Trust's reported annual revenue decreased 15 percent between 2006 and 2007 and increased 49 percent between 2007 and 2008.

BUSINESS ACQUISITIONS

During 2006 Peak made one small strategic business acquisition for total consideration of $2.5 million, during 2007 made no business acquisitions and during 2008 completed a merger and one strategic business acquisition for total consideration of $38.9 million. Peak's strategy is to efficiently integrate strategic business acquisitions / mergers, however this makes it very difficult to determine, with certainty, the full revenue impact of these transactions. Management's best estimate of these strategic business acquisitions /merger's revenue contribution (including the impact of the capital expenditures made to the product line subsequent to the acquisition date) was approximately, $0.6 million, $0.7 million and $40.8 million for fiscal 2006, 2007 and 2008, respectively.

ASSET DISPOSITIONS

During fiscal 2008, Peak divested of its electric line (part of the Wireline Services operating division) and access matting (part of the Surface Rentals operating division) product lines which were deemed non-core assets to

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

Peak for gross proceeds of $9.3 million. This was part of the Trust's ongoing asset rationalization program, whereby non-core assets identified as not generating an appropriate rate of return are earmarked for disposal, giving the Trust the opportunity to reinvest the proceeds in assets that are expected to generate improved returns on invested capital. The revenue contribution of the disposed product lines were approximately, $8.0 million, $6.2 million and $2.0 million for fiscal 2006, 2007 and 2008, respectively.

IMPAIRMENT LOSS ON GOODWILL

During fiscal 2006, 2007 and 2008, the Trust incurred impairment losses on goodwill of $19.5 million ($18.5 million, net of tax), $2.4 million ($2.4 million, net of tax) and $1.4 million ($1.4 million, net of tax), respectively. Excluding these costs, the adjusted income was $22.0 million for fiscal 2006, $7.2 million for fiscal 2007 and the adjusted loss was $1.9 million for fiscal 2008, representing a decrease of $14.8 million or 67 percent between fiscal 2006 and 2007 and a decrease of $9.1 million or 126 percent between fiscal 2007 and 2008.

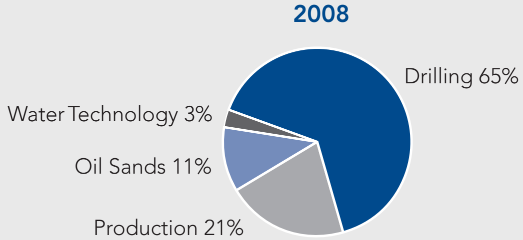
ADJUSTED REVENUE

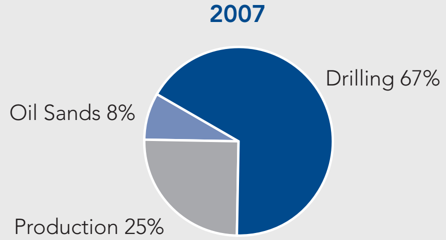
Excluding revenue derived from the strategic business acquisitions, merger and product line dispositions made during 2006, 2007 and 2008, the Trust's revenue was $96.2 million, $89.8 million and $101.4 million for fiscal 2006, 2007 and 2008, respectively. This represents a decrease of 6 percent between 2006 and 2007 (Canadian drilling rig operating days decreased 24 percent) and an increase of 13 percent between 2007 and 2008 (Canadian drilling rig operating days increased 11 percent) which correlates with the fluctuations in industry activity levels already discussed.

RESULTS OF OPERATIONS

REVENUE

(in thousands of CAD, except as otherwise noted)	2008	2007	$ Change	% Change
	(restated)	*(restated)*		
Drilling Services revenue	94,144	64,901	29,243	45
Production Services revenue	29,537	23,895	5,642	24
Oil Sands revenue	15,744	7,860	7,884	100
Water Technology revenue	4,749	–	4,749	N/C(2)
Total revenue	144,174	96,656	47,518	49





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

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

For the year ended December 31, 2008 (restated)

For the year ended December 31, 2008, Peak generated revenue of $144.2 million compared to $96.7 million for the prior year representing an increase of 49 percent compared to an 11 percent increase in Canadian drilling rig operating days and a 7 percent decrease in Canadian service rig activity over this time period. Total Canadian drilling rig operating days for fiscal 2008 were 134,816 days compared to 120,961 days for fiscal 2007. Meanwhile Canadian service rig utilization was 53 percent for fiscal 2008, compared to 57 percent for the prior year.

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. 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 current year-to-date 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 $171.0 million for fiscal 2008. This represents an increase in revenue of $74.3 million or 77 percent over the prior year period.

Drilling Services' revenue increased by $29.2 million or 45 percent as it generated $94.1 million in revenue or 65 percent of the Trust's total revenue, compared to $64.9 million or 67 percent for the prior year. The revenue increase was more significant than the increase in Canadian drilling rig operating days. The increase in excess of the increase in Canadian drilling rig operating days was the result of the revenue generated by the former Wellco assets and Surface Rentals operating division (particularly the solids control product line) more than offsetting generally lower utilization and pricing experienced by most operating divisions.

Production Services' revenue increased by $5.6 million or 24 percent as it generated $29.5 million in revenue or 21 percent of the Trust's total revenue, compared to $23.9 million or 25 percent for the prior year. The revenue increase was significantly better than the 7 percent decrease in Canadian service rig activity and was the result of the business acquisition of Amwest and strong growth in activity within the Trust's Fluids Handling operating division.

Oil Sands' revenue increased by $7.9 million or 100 percent as it generated $15.7 million in revenue or 11 percent of the Trust's total revenue, compared to $7.9 million or 8 percent for the prior year. The increase was primarily the result of strong activity within the Fluid Handling operating division and the Wellco merger, as the increase represents activities from the Camps and Catering and Remote Waste Water Systems operating divisions. Management expects this reporting segment to be a significant area of focus and growth for Peak in the future.

Water Technology revenue was $4.8 million or 3 percent of the Trust's total revenue. There was no revenue for the prior year as this reporting segment was a direct result of the Wellco merger and represents the activities of the Water Technology operating division.

OPERATING EXPENSES

(in thousands of CAD, except as otherwise noted)	2008	2007	$ Change	% Change
	(restated)	*(restated)*		
Operating expenses	88,589	50,115	(38,474)	–77
As a percentage of total revenue	61%	52%		

For the year ended December 31, 2008, operating expenses were higher than the prior year by $38.5 million or 77 percent. As a percentage of revenue, operating expenses were 61 percent compared to the prior year of 52 percent.

The primary drivers of the increase in operating expenses as a percentage of revenue 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, which have lower operating margins than Peak's historical operating divisions for the comparative prior year. Improving these margins is a key area of focus as management has seen several opportunities for improvement since acquiring these operating divisions in March 2008, however the major strategies to take advantage of these opportunities take longer to implement and for their effects to impact the financial results;
- employee recruitment, retention and compensation costs that were a challenge for the industry and Trust until at least the later part of the fourth quarter. Management retained staff through the second quarter of 2008 due to the tight labour market, although activity is traditionally weak during this quarter, as there was expectations of higher activities levels for the remainder of 2008 and into 2009; and
- an increase in repairs and maintenance ("R&M") costs, as a percentage of revenue, as the prior year's selective R&M program deferred certain R&M costs until the equipment was utilized during the current period.

GENERAL AND ADMINISTRATIVE EXPENSES

(in thousands of CAD, except as otherwise noted)	2008	2007	$ Change	% Change
	(restated)	*(restated)*		
General and administrative expenses	34,198	23,337	(10,861)	–47
As a percentage of total revenue	24%	24%		

For fiscal 2008, general and administrative expenses (G&A) were $10.9 million or 47 percent higher than the prior year. As a percentage of revenue, G&A remained constant at 24 percent for the current and prior year. On a net dollar basis there were a number of partially offsetting factors impacting G&A.

The primary factors increasing G&A were:

- $4.3 million in increased facility costs (rent, utilities and property taxes) resulting from additional field facilities added with the Wellco merger and the recent build out of a "super shop" in Red Deer, Alberta,

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

For the year ended December 31, 2008 (restated)

new shops in Slave Lake, Alberta and Estevan, Saskatchewan and head office in Calgary, Alberta to support Peak's operations;

- $4.2 million in increased employee related costs primarily the result of the Wellco merger, as certain support functions of Peak required additional employees to support the post merged operational activities;
- $1.3 million in severance resulting from the implementation of Peak's succession plan associated with the post Wellco merger senior management team structure; and
- $0.7 million in financing costs directly associated with restructuring the Trust's debt to complete the Wellco merger.

The primary factor decreasing G&A was:

- a $1.5 million decrease in variable incentive compensation, as the weaker financial performance of the Trust reduced amounts payable under various programs.

EBITDA

(in thousands of CAD, except as otherwise noted)	2008	2007	$ Change	% Change
	(restated)	*(restated)*		
EBITDA [(1)]	21,387	23,204	(1,817)	–8
Per unit – diluted	0.48	0.84	(0.36)	–43
As a percentage of total revenue	15%	24%		

EBITDA[(1)] decreased $1.8 million or 8 percent to $21.4 million for the year ended December 31, 2008. EBITDA as a percentage of revenue, was 15 percent for the current year as compared to 24 percent for fiscal 2007. The primary drivers of the year-over-year decrease 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[(1)] increased $0.2 million or 1 percent to $23.4 million ($0.53 per Unit diluted) and adjusted EBITDA as a percentage of revenue was 16 percent.

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 fiscal 2008 are not reflected in Peak's current year-to-date 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 $29.9 million ($0.62 per Unit diluted or 17 percent of revenue) for fiscal 2008. This represents an increase in EBITDA of $6.7 million or 29 percent over the prior year.

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

DEPRECIATION AND AMORTIZATION EXPENSES

(in thousands of CAD, except as otherwise noted)	2008	2007	$ Change	% Change
	(restated)	*(restated)*		
Depreciation and amortization expenses	16,217	15,425	(792)	–5

For the year ended December 31, 2008, depreciation and amortization expenses were slightly higher than the prior year by $0.8 million or 5 percent. The year-over-year increase was primarily the result of the additional assets Peak acquired in the merger with Wellco increasing the asset base to be depreciated. At December 31, 2008, the net asset carrying value of property and equipment was $218.3 million, compared to $186.7 million at December 31, 2007 and $191.2 million at December 31, 2006.

INTEREST ON LONG-TERM DEBT EXPENSE

(in thousands of CAD, except as otherwise noted)	2008	2007	$ Change	% Change
Interest on long-term debt expense	5,168	4,419	(749)	–17

Interest on long-term debt expense increased to $5.2 million for the year ended December 31, 2008, representing an increase of $0.7 million or 17 percent over 2007. The interest cost (expressed as a percentage of the average long-term debt outstanding during the period) was 6.2 percent for fiscal 2008, compared to 6.3 percent for fiscal 2007. The year-over-year consistency in the percentage was representative of the Trust's debt structure remaining consistent with a combination of fixed and floating rate structure and a relative consistency in the bank prime lending rate.

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 $49.0 million at a floating rate tied to the bank prime lending rate.

LOSS ON SALE OF EQUIPMENT

(in thousands of CAD, except as otherwise noted)	2008	2007	$ Change	% Change
	(restated)	*(restated)*		
Loss on sale of equipment	619	2,177	1,558	72

For the year ended December 31, 2008, the loss on sale of equipment amounted to $0.6 million compared to a loss of $2.2 million for the prior year. Included in the current year loss were the dispositions of Peak's electric line and access matting product lines for gross proceeds of $9.3 million. As previously disclosed, the Trust has continued 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.

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

For the year ended December 31, 2008 (restated)

IMPAIRMENT LOSS ON PROPERTY HELD FOR SALE

(in thousands of CAD, except as otherwise noted)	2008	2007	$ Change	% Change
Impairment loss on property held for sale	220	–	220	N/C[(2)]

For the year ended December 31, 2008, the Trust incurred an impairment loss on property held for sale of $0.2 million. As of December 31, 2008, management committed to a plan to dispose of property Peak acquired through the Amwest acquisition and this asset was classified as property held for sale. During the period, management evaluated and determined that the carrying value of the property exceeded its fair value, based on the negotiated selling price with an independent third party, which closed subsequent to year end. The reduction in value was attributed to the economic downturn experienced during the last few months of 2008. Peak accordingly recognized an impairment loss of $0.2 million to reduce the asset's carrying value to management's estimate of its fair value.

IMPAIRMENT LOSS ON GOODWILL

(in thousands of CAD, except as otherwise noted)	2008	2007	$ Change	% Change
	(restated)	*(restated)*		
Impairment loss on goodwill	1,409	2,396	987	41

Goodwill is recorded at cost and is not amortized. The annual goodwill impairment test was performed during the fourth quarter of fiscal 2008. The results determined that the carrying amount of the Production Services operating segment assets exceeded their fair value. The conditions which precipitated the impairment of goodwill were 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. The culmination of these conditions has decreased the fair value of the Trust, which is reflected in the market value of the Trust at December 31, 2008. Accordingly, a goodwill impairment loss of $1.4 million was recognized in the Production Services operating segment as an impairment loss on goodwill.

FOREIGN EXCHANGE (GAIN) LOSS

(in thousands of CAD, except as otherwise noted)	2008	2007	$ Change	% Change
Foreign exchange (gain) loss	(1,109)	723	1,832	253

For the year ended December 31, 2008, the Trust realized a foreign exchange gain of $1.1 million. The gain primarily relates to the change in value, measured in Canadian dollars, of working capital within Peak's United States of America operations due to the depreciation in value of the Canadian dollar against the American dollar. At December 31, 2008, the exchange ratio was $1.22 Canadian for $1.00 American as compared to December 31, 2007, at which the exchange ratio was $0.99 Canadian for $1.00 American.

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

PROVISION FOR INCOME TAXES

(in thousands of CAD, except as otherwise noted)	2008	2007	$ Change	% Change
	(restated)	*(restated)*		
Provision for income taxes (recovery)	2,047	(7,946)	(9,993)	–126
Effective income tax rate	–180%	410%		

The current tax expense of $0.9 million and future tax expense of $1.1 million, resulted in a net income tax expense of $2.0 million and an effective income tax rate of negative 180 percent for the year ended December 31, 2008.

The effective income tax rate differs significantly from the statutory corporate rate of 30 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. Factors contributing to the current year income tax expense were:

- a $0.4 million increase resulting from the non-deductible tax impact of the impairment loss on goodwill;
- a $0.5 million increase resulting from the change in foreign exchange on foreign taxes;
- a $0.2 million increase resulting from amendments to tax filings;
- a $0.6 million increase due to adjustments in the effective tax rate; and
- a $0.6 million increase resulting from the tax impact of non-deductible items.

The federal government's announced intentions to require income trusts to pay taxes at rates consistent with corporations was enacted into law during 2007. 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 potentially 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 form of business organization for the Trust on a go-forward basis.

As the new trust distribution tax is now considered substantively enacted, the Trust is required to recognize future income tax assets and liabilities on temporary differences at the effective rate expected to be enacted when the temporary difference reverses. Management has assessed the impact of the Trust's temporary differences and the expected period that they will reverse and has recognized the associated future income tax assets and liabilities at the appropriate effective tax rate.

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.

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

For the year ended December 31, 2008 (restated)

NET INCOME (LOSS) FROM CONTINUING OPERATIONS

(in thousands of CAD, except as otherwise noted)	2008	2007	$ Change	% Change
	(restated)	*(restated)*		
Net income (loss) from continuing operations	(3,184)	6,010	(9,194)	-153
Earnings (loss) per Unit – basic and diluted	(0.07)	0.22	(0.29)	-132

For the year ended December 31, 2008, the net loss from continuing operations increased 153 percent to a loss of $3.2 million (loss of $0.07 per Unit diluted) compared to a net income from continuing operations of $6.0 million ($0.22 per Unit diluted) for the prior year period.

NET LOSS FROM DISCONTINUED OPERATIONS

(in thousands of CAD, except as otherwise noted)	2008	2007	$ Change	% Change
	(restated)	*(restated)*		
Net loss from discontinued operations	(1,643)	(13,736)	12,093	88
Loss per Unit – basic and diluted	(0.04)	(0.50)	0.46	92

For the year ended December 31, 2008, the net loss from discontinued operations decreased 88 percent to $1.6 million (loss of $0.04 per Unit diluted) compared to a net loss from discontinued operations of $13.7 million (loss of $0.50 per Unit diluted) for the prior year period. During fiscal 2009, management identified that the Wireline operating division included in the Production Services reporting segment, be disposed of in order for Peak to focus on its core business operations. This was part of management's ongoing asset rationalization program, whereby equipment identified during the period as not generating an appropriate rate of return are earmarked for potential disposal with the intentions of generating proceeds to be positioned for reinvestment in equipment that is expected to generate improved returns on invested capital. The 2008 financial statements have been restated to reflect the discontinued operation. Peak completed the sale of the Wireline operating division on July 14, 2009 for gross cash proceeds of $5.8 million. The proceeds generated from the sale were significantly less than the book value of the assets for the division and an impairment loss of $12.3 million was realized in the second quarter of 2009.

NET LOSS AND COMPREHENSIVE LOSS

(in thousands of CAD, except as otherwise noted)	2008	2007	$ Change	% Change
Net loss and comprehensive loss	(4,827)	(7,726)	2,899	38
Loss per Unit – diluted	(0.11)	(0.28)	0.17	61

Exclusive of the succession plan 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 and loss on impairment of goodwill, the adjusted loss [1] for fiscal 2008 increased $9.2 million or 127 percent over the prior year to a loss of $1.9 million (loss of $0.04 per Unit diluted). Meanwhile, for the year ended December 31, 2008, net loss and

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

comprehensive loss decreased 38 percent to a loss of $4.8 million (a loss of $0.11 per Unit diluted) compared to a net loss and comprehensive loss of $7.7 million ($0.28 per Unit diluted) for the prior year.

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 fiscal 2008 are not reflected in Peak's current year-to-date 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 income of nil ($0.00 per unit diluted) for fiscal 2008. This represents an increase in income of $7.7 million or 100 percent over the prior year.

SUMMARY OF QUARTERLY RESULTS

(in thousands of CAD, except as otherwise noted)	Q1 - 2008	Q2 - 2008	Q3 - 2008	Q4 - 2008	Total
	(restated)	*(restated)*	*(restated)*	*(restated)*	
Revenue	34,287	25,889	39,465	44,533	144,174
Net income (loss) from continuing operations	3,174	(7,661)	1,721	(419)	(3,184)
Earnings (loss) per Unit – basic and diluted	0.10	(0.16)	0.04	(0.01)	(0.07)
Net loss from discontinued operations	(43)	(1,037)	(387)	(176)	(1,643)
Loss per Unit – basic and diluted	-	(0.02)	(0.01)	-	(0.04)
Net income (loss) and comprehensive income (loss)	3,131	(8,697)	1,334	(595)	(4,827)
Earnings (loss) per Unit – basic and diluted	0.10	(0.18)	0.03	(0.01)	(0.11)

(in thousands of CAD, except as otherwise noted)	Q1 - 2007	Q2 - 2007	Q3 - 2007	Q4 - 2007	Total
	(restated)	*(restated)*	*(restated)*	*(restated)*	
Revenue	31,032	16,186	24,181	25,257	96,656
Net income (loss) from continuing operations	4,803	161	(402)	1,448	6,010
Earnings (loss) per Unit – basic and diluted	0.17	0.01	(0.01)	0.05	0.22
Net income (loss) from discontinued operations	544	(819)	(13,009)	(452)	(13,736)
Earnings (loss) per Unit – basic and diluted	0.02	(0.03)	(0.47)	(0.02)	(0.50)
Net income (loss) and comprehensive income (loss)	5,348	(657)	(13,413)	996	(7,726)
Earnings (loss) per Unit – basic and diluted	0.19	(0.02)	(0.48)	0.04	(0.28)

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. For fiscal 2008, the second through fourth quarters 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.

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

For the year ended December 31, 2008 (restated)

STANDARDIZED DISTRIBUTABLE CASH

Standardized distributable cash [(1)] 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:

(in thousands of CAD, except as otherwise noted)	2008	2007
Cash flow from operating activities	34,067	26,829
Less adjustments for:		
Business acquisitions	(8,740)	–
Purchase of equipment	(18,139)	(17,154)
Distribution restrictions caused by financial covenant	(3,647)	–
Standardized distributable cash [(1)]	3,541	9,675
Distributions declared to Unitholders	–	(16,896)
Distribution surplus (deficit)	3,541	(7,221)
Payout ratio of standardized distributable cash [(1)]	–%	175%
Standardized distributable cash per Unit – basic	0.08	0.35
Standardized distributable cash per Unit – diluted	0.08	0.35

Standardized distributable cash for the year ended December 31, 2008 was $3.5 million or $0.08 per Unit diluted (2007 – $9.7 million or $0.35 per Unit diluted). No distributions were declared for fiscal 2008 (2007 – $16.9 million). The payout ratio of standardized distributable cash was nil (2007 – 175 percent). 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 are collected. Overall, non-cash working capital will fluctuate due to the seasonal effects of the industry, however it should not change materially on a year-over-year basis.

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

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 as otherwise noted)	Prior to 2006 (20 months)	2006	2007	2008	Since inception
Cash flow from operating activities	50,653	38,152	26,829	34,067	149,701
Less adjustments for:					
Business acquisitions	(64,621)	(4,106)	–	(8,740)	(77,467)
Purchase of equipment	(42,706)	(46,087)	(17,154)	(18,139)	(124,086)
Distribution restrictions caused by financial covenant	–	–	–	(3,647)	(3,647)
Standardized distributable cash [1]	(56,674)	(12,041)	9,675	3,541	(55,499)
Distributions declared to Unitholders	(35,341)	(28,836)	(16,896)	–	(81,073)
Distribution surplus (deficit)	(92,015)	(40,877)	(7,221)	3,541	(136,572)
Payout ratio of standardized distributable cash [1] [2]	N/C	N/C	175%	–%	N/C
Standardized distributable cash per Unit					
– basic	(2.87)	(0.45)	0.35	0.08	(2.89)
– diluted	(2.70)	(0.45)	0.35	0.08	(2.72)

Since inception of the Trust, the cumulative standardized distributable cash was negative $55.5 million (negative $2.72 per Unit diluted). Meanwhile cumulative distributions declared were $81.1 million. The payout ratio of cumulative standardized distributable cash was not calculable as cumulative standardized distributable cash was negative. The significant $136.6 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 primarily funded by long-term debt and equity financing.

ADJUSTED DISTRIBUTABLE CASH

Adjusted distributable cash[1] 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 determining adjusted distributable cash.

(1) Refer to the "Non-GAAP Measures and Reconciliations" section for further details.
(2) Not calculable ("N/C") as standardized distributable cash was negative.

Effectively, adjusted distributable cash is the same as the Trust's former disclosed measure of funds from operations less maintenance capital expenditures. Management views maintenance capital expenditures as an operating expenditure required to maintain the Trust's productive capacity, hence does not adjust for maintenance capital expenditures in determining adjusted distributable cash.

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

(in thousands of CAD, except as otherwise noted)	2008	2007
Standardized distributable cash (1)	3,541	9,675
Adjusted for:		
Business acquisitions	8,740	–
Growth capital expenditures	13,402	3,550
Infrastructure capital expenditures	1,909	12,034
Seasonal change in non-cash working capital	(6,326)	(5,571)
Adjusted distributable cash (1)	21,266	19,688
Distributions declared to Unitholders	–	(16,896)
Distribution surplus	21,266	2,792
Payout ratio of adjusted distributable cash (1)	–%	86%
Adjusted distributable cash per Unit – basic	0.48	0.71
Adjusted distributable cash per Unit – diluted	0.48	0.71

The adjusted distributable cash payout ratio was nil (2007 – 86 percent) for the year ended December 31, 2008. The distribution surplus between adjusted distributable cash and distributions declared was $21.3 million (2007 – $2.8 million) for fiscal 2008 and was used to fund capital expenditures, the Amwest business acquisition and to reduce the funded debt outstanding. 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 Reconciliation" section of this MD&A for further details.

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 as otherwise noted)	Prior to 2006 (20 months)	2006	2007	2008	Since inception
Standardized distributable cash [1]	(56,674)	(12,041)	9,675	3,541	(55,499)
Adjusted for:					
Business acquisitions	64,621	4,106	–	8,740	77,467
Growth capital expenditures	34,686	33,888	3,550	13,402	85,526
Infrastructure capital expenditures	2,964	5,617	12,034	1,909	22,524
Seasonal change in non-cash working capital	3,423	(1,211)	(5,571)	(6,326)	(9,685)
Adjusted distributable cash [1]	49,020	30,359	19,688	21,266	120,333
Distributions declared to Unitholders	(35,341)	(28,836)	(16,896)	–	(81,073)
Distribution surplus	13,679	1,523	2,792	21,266	39,260
Payout ratio of adjusted [1] distributable cash	72%	95%	86%	–%	67%
Adjusted distributable cash per Unit					
– basic	2.18	1.13	0.71	0.48	4.51
– diluted	2.10	1.13	0.71	0.48	4.41

Since inception of the Trust, the cumulative adjusted distributable cash was $120.3 million ($4.41 per Unit diluted). Meanwhile cumulative distributions declared were $81.1 million. The cumulative adjusted distributable cash payout ratio was 67 percent. The cumulative distributable surplus between adjusted distributable cash and distributions declared was $39.3 million and was used to 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, 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-term debt and when the opportunity presents itself to reduce its core long-term debt only through equity financing to create

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

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 December 31, 2008 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 [(1)] discussed in the "Capital Resources – Long-term 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[(1)] 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 December 31, 2008, including net funded debt to EBITDA, which was 2.72 to 1.00.

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

On January 29, 2010, the Trust announced a series of initiatives that are intended, once completed, to impact the Trust's Debt Agreements and the associated financial covenants. See "Subsequent Events" section of this MD&A for further details regarding the impacts.

TAX ATTRIBUTES OF DISTRIBUTIONS

Historically, approximately 95 percent of the Trust's distributions declared have been considered other income and 5 percent a return of capital for Unitholders' tax purposes. The consolidated excess of book value of the Trust's capital and intangible assets over their tax basis is approximately $106.2 million. The Trust also has approximately $62.1 million of non-capital tax loss carry forwards.

LIQUIDITY

OPERATING ACTIVITIES

For fiscal 2008, cash provided by operating activities, including discontinued operations, was $34.1 million or $0.77 per Unit diluted (2007 – $26.8 million or $0.97 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. Considering the lower industry activity levels expected (see discussion in "Industry Activity" section of this MD&A) the Trust's cash provided by operating activities before considering the impact of changes in non-cash working capital will be negatively impacted. However, this impact will not be as severe as 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 current year results. The addition of the former Wellco activities for a full fiscal period will at least partially offset the negative impact of the overall expected decrease in activity.

INVESTING ACTIVITIES

Net cash used in investing activities, including discontinued operations, for fiscal 2008 was $11.8 million (2007 – $13.6 million). The activities were the result of:

- the merger with Wellco for total consideration of $31.6 million, which was comprised of $1.6 million in cash and the issuance of 16,565,851 Trust Units with a fair market value of $30.0 million. The merger was accomplished by way of a plan of arrangement under the Business Corporations Act (Alberta) whereby Wellco unitholders received 0.9 of a Trust Unit of Peak for each unit of Wellco held. Wellco provided camps and catering, well-site accommodations, remote waste water systems, surface rentals and water technology services throughout western Canada; and

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- the business acquisition of 942857 Alberta Ltd., 942859 Alberta Ltd., and Amwest Transport Ltd. (collectively referred to as "Amwest") for a total consideration of $7.4 million which included cash of $0.2 million. Based in Calgary, Alberta, Canada, Amwest provided fluid handling services throughout central and southern Alberta. Included in the business acquisition was $3.8 million in land and building that Peak sold on January 31, 2009. This asset has been classified as property held for sale as management committed to a formal plan to sell the property.

Peak accounted for the Wellco and Amwest transactions as business acquisitions for which the total consideration was allocated as follows:

(in thousands of CAD, except as otherwise noted)	Wellco	Amwest	Total
Equipment	41,517	1,901	43,418
Property	–	3,800	3,800
Intangibles			
Customer relationships	–	340	340
Non-compete covenants	–	80	80
Proprietary technology	1,000	–	1,000
Goodwill	–	1,409	1,409
Working capital	24,024	500	24,524
Future income taxes	8,483	(664)	7,819
Debt assumed	(43,457)	–	(43,457)
Total consideration	31,567	7,366	38,933
Fair value of Trust Units issued	(29,984)	–	(29,984)
Cash included in working capital	–	(209)	(209)
Total cash consideration	1,583	7,157	8,740

- $17.8 million of gross equipment purchases and net purchases of $3.4 million, including proceeds on sale of equipment of $14.4 million. Further information regarding the capital additions is detailed in the "Capital Resources – Capital Expenditures" section of this MD&A.

FINANCING ACTIVITIES

Net cash used in financing activities for the year ended December 31, 2008 was $15.3 million (2007 – $15.4 million). The activities were the result of:

- a net increase in long-term debt of $49.0 million from a new syndicated extendable term revolving acquisition loan facility (for details refer to the "Capital Resources – Long-term Debt" section of this MD&A) used to partially retire the former debt facilities detailed below;
- the $74.4 million repayment of long-term debt associated with the former $30.8 million extendable term revolving acquisition loan facility and the former debt facility of $43.5 million assumed on closing of the Wellco merger; and
- the issuance of 4,133,859 Trust Units for net proceeds of $9.9 million used to partially retire the former debt facilities detailed above.

WORKING CAPITAL

The Trust had net working capital[(1)] of $31.9 million at December 31, 2008, compared to $18.8 million at December 31, 2007. The increase in net working capital was primarily the result of the Wellco merger. The Trust's current ratio[(1)] trended down over the period, decreasing to 2.24 to 1.00 at December 31, 2008, from 2.66 to 1.00 at December 31, 2007. The current global economic crisis and its negative impact on the 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's sales and credit teams mitigate this risk though an active review of receivables and credit limits provided to its customers, however given the current environment the overall risk will increase.

CONTRACTUAL OBLIGATIONS

The following are the Trust's contractual obligations as at December 31, 2008:

(in thousands of CAD)	Less than one year	1 to 3 years	4 to 5 years	After 5 years	Total
Long-term debt	9,012	32,852	47,103	–	88,967
Operating leases	17,509	25,394	19,702	40,220	102,825
Total contractual obligations	26,521	58,246	66,805	40,220	191,792

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 expire or 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 fiscal 2008, the Trust expended a total of $65.3 million on gross tangible asset purchases and $50.8 million on net tangible asset purchases (includes mergers, business acquisitions and purchase of equipment, net of proceeds on sale of equipment) compared to $17.2 million and $11.3 million, respectively, for the prior year. Included in the net asset additions is the Wellco merger whereby Peak paid total consideration of $31.6 million (for details refer to the "Liquidity – Investing Activities" section of this MD&A).

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

By reporting segment, the expenditures were:

Fiscal 2008 (in thousands of CAD)	Drilling Services	Production Services	Oil Sands	Water Technology	Total
					(restated)
Growth	2,343	2,589	8,453	–	13,385
Maintenance	1,858	626	74	–	2,558
Infrastructure					1,909
	4,201	3,215	8,527	–	17,852
Proceeds on sale of equipment					(14,423)
					3,429
Wellco merger impact	30,064	1,152	10,046	255	41,517
Amwest acquisition impact	–	5,701	–	–	5,701
Net tangible asset additions	34,265	10,068	18,573	255	50,647

Peak's capital expenditure program for fiscal 2009 will be less than prior years in anticipation of decreased activity levels and to minimize the dilution of existing revenue generating asset utility.

By reporting segment, the Trust expects to expend the following for fiscal 2009:

Fiscal 2009 (in thousands of CAD)	Drilling Services	Production Services	Oil Sands	Water Technology	Total
Growth	291	440	2,021	–	2,752
Maintenance	1,809	416	125	–	2,350
Infrastructure					2,186
	2,100	856	2,146	–	7,288
Proceeds on sale of equipment					(3,580)
Net tangible asset additions	2,100	856	2,146	–	3,708

In addition to the planned capital expenditures for fiscal 2009, the Trust intends on continuing to identify, evaluate and potentially acquire oil and natural gas service companies and/or service 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 for fiscal 2009.

LONG-TERM DEBT

The Trust's long-term debt (including current portion) increased to $89.0 million at December 31, 2008, as compared to $70.8 million at December 31, 2007. Funded debt(1) was $80.4 million at December 31, 2008, as compared to $69.1 million at December 31, 2007. Meanwhile, net debt(1) was $57.0 million at December 31, 2008, as compared to $51.9 million at December 31, 2007. The long-term debt to equity ratio(1) remained constant at 0.51 to 1.00 at December 31, 2008 (December 31, 2007 – 0.51 to 1.00). Of the Trust's $115.0 million long-term debt facilities at December 31, 2008 (subject to certain conditions may increase to $140.0

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

million at a future date), $34.6 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 covenants 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 (refer to "Capital Resources – Unitholders' Equity" section of this MD&A for further details), Peak has reduced its funded debt by $17.3 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;
- 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 December 31, 2008, including net funded debt to EBITDA, which was 2.72 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.

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For the year ended December 31, 2008 (restated)

The Trust's available and utilized long-term debt facilities at December 31, 2008 consist of:

- Pursuant to an agreement dated August 27, 2008, the Trust negotiated a syndicated new extendable term revolving 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. On March 12, 2008, $75.0 million was provided to repay Wellco's former facility as part of the Wellco merger and Peak's former extendable term revolving acquisition facility of $60.0 million, of which $30.8 million was outstanding at December 31, 2007. Furthermore, this facility replaces Peak's $5.0 million operating line of credit, of which nil was outstanding at December 31, 2007. 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 debt is repayable over an amortized three year period;

- Pursuant to an agreement dated August 31, 2005, the Trust has a term debt of $30.0 million with terms of no set principal payments during the seven year term bearing interest at 6.3 percent; and

- Pursuant to an agreement dated June 26, 2006, the Trust has a term debt of $10.0 million with terms of no set principal payments during the seven year term bearing interest at 7.2 percent.

On January 29, 2010, the Trust announced a series of initiatives that are intended, once completed, to impact the Trust's Debt Agreements and the associated financial covenants. See "Subsequent Events" section of this MD&A for further details regarding the impacts.

UNITHOLDERS' EQUITY

Unitholders' equity increased $35.1 million to $173.8 million at December 31, 2008 from $138.7 million at December 31, 2007. The increase over the prior year-end was the result of:

- a net loss of $4.8 million incurred;

- the issuance of 4,133,859 Trust Units for net cash proceeds of $9.9 million; and

- the issuance of 16,565,851 Trust Units with a fair market value of $30.0 million for all of the issued and outstanding trust units of Wellco.

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 market pricing.

Peak had 48,398,097 Trust Units outstanding at December 31, 2008, compared to 27,698,386 Trust Units at December 31, 2007. As of February 24, 2009, the number of Trust Units outstanding were 48,398,097.

On January 29, 2010, the Trust announced a series of initiatives that are intended, once completed, to impact the Trust's Units outstanding. See "Subsequent Events" section of this MD&A for further details regarding the impacts.

OFF-BALANCE SHEET ARRANGEMENTS

At December 31, 2008, 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.

SUBSEQUENT EVENTS

On January 31, 2009, Peak disposed of its property it acquired through the Amwest acquisition for $3.6 million. The property was classified as property held for sale (see discussion in the "Results of Operations – Impairment Loss on Property Held for Sale" section of this MD&A).

On July 14, 2009, the Trust completed the sale of its Wireline operating division assets for total cash consideration of $5.8 million. See "Results of Operations – Net Loss from Discontinued Operations" for details regarding this transaction.

Throughout 2009, the syndicated extendable term revolving acquisition loan facility limit was reduced from $75.0 million to $65.0 million on May 26, 2009 and was further reduced to $25.0 million on October 16, 2009.

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

These initiatives included:

(a) Completion of a 12 percent $22.0 million convertible secured subordinated debenture financing by December 17, 2009; and

(b) 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 a result, certain amendments to the Trust's long-term debt agreements did not take affect as they were contingent on the completion of the debenture financing. Consequently, the Trust was in breach of the funded net debt to 12 month trailing EBITDA financial covenant under the long-term debt agreements at September 30, 2009 and it is reasonably certain that the Trust will continue to be in breach of said financial covenant and potentially others at December 31, 2009, once the financial statements are prepared. The senior lenders agreed to waive all existing defaults and events of default under the long-term debt agreements, subject to certain conditions, until January 29, 2010.

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

For the year ended December 31, 2008 (restated)

On December 24, 2009, the Trust obtained a bridge loan in the amount of $3.0 million to fund the Trust's near-term working capital requirements. The bridge loan is a senior secured non-revolving term loan that ranks prior to all senior debt and other security of the Trust and its subsidiaries. The bridge loan bears interest at a rate of 18 percent on amounts drawn from escrow, matures on March 31, 2010, subject to certain conditions, including waivers of the senior lenders continuing to be in effect as outlined below.

On January 29, 2010, the Trust announced a series of initiatives that are intended, once completed, to impact the Trust's capital resources.

These initiatives include:

(a) Subject to regulatory approval, completion of a $16.0 million private placement financing for 80,000,000 Trust Units by February 16, 2010. Proceeds of the private placement financing will be used to repay existing secured indebtedness of the Trust;

(b) Subject to regulatory approval, completion of up to a $25.0 million rights offering financing for up to 125,000,000 Trust Units as soon as possible after the private placement financing, but no later than April, 30, 2010. Depending on the ultimate proceeds of the rights offering financing, the proceeds will be used for general purposes of the Trust, which may include repayment of existing secured indebtedness of the Trust and/or to fund future growth opportunities; and

(c) In connection with the private placement financing, the Trust has negotiated certain amendments to its existing secured long-term debt agreements. Subject to the completion of the private placement financing, with proceeds being used to reduce a portion of the Trust's existing secured indebtedness outstanding and the completion of payments totaling $1.1 million in amendment / waiver fees by February 16, 2010 and completion of the rights offering financing by April 30, 2010, the senior lenders have agreed to waive all existing defaults and events of default under the secured long-term debt agreements. Furthermore, the senior lenders have agreed to amend their respective secured long-term debt agreements 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 April 1, 2010 and February 28, 2011, where the ratio varies between 0.75 to 1.00 and 2.25 to 1.00;
- Syndicated extendable term revolving acquisition loan facility to be 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; 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 to be amended to 7.77 percent and 8.69 percent, respectively.

TRANSACTIONS WITH RELATED PARTIES

At December 31, 2008 the Trust had two related party agreements that it considers to be made at fair market values.

These agreement were:

- Peak has negotiated 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; and
- On March 12, 2008, the Trust issued 4,133,859 Trust Units at $2.54 per Unit for gross proceeds of $10.5 million and net proceeds of $9.9 million. This transaction was completed through Grafton Capital Corporation ("GCC") and the Trust paid finders fees of $0.5 million to GCC. A member of PESL's Board of Directors is a director and officer of GCC. The fees paid were evaluated and considered by management and PESL's Board of Directors, exclusive of the GCC director and officer, to be at fair market value.

FOURTH QUARTER RESULTS

For the three months ended December 31, 2008, Canadian drilling rig operating days were higher than the same period of 2007 at 34,836 days, representing an increase of 13 percent. Quarter-over-quarter Canadian drilling rig utilization was 44 percent (2007 – 37 percent). Saskatchewan contributed 62 percent (Alberta 16 percent; British Columbia 16 percent) of the overall increase for the quarter as drilling rig operating days within the province increased 55 percent (Alberta 3 percent; British Columbia 15 percent). The geographical shift in activity is a direct reflection of the producers' reaction to the Alberta royalty rate changes that take effect in 2009. Furthermore, activity has been focused on deeper / longer wells as 4,854 wells were drilled (2007 – 5,258 wells) with the average days/well increasing to 7.2 days/well (2007 – 5.9 days/well). Meanwhile, Canadian service rig utility was down marginally quarter-over-quarter with overall utilization of 53 percent (2007 – 58 percent).

For the fourth quarter of 2008, Peak:

- generated revenue of $44.5 million which was a 76 percent or $19.3 million increase over the prior year period revenue of $25.3 million. The primary drivers of the increase over the industry activity level increase were the impact of Peak's merger with Wellco and Amwest strategic business acquisition;
- realized EBITDA[(1)] of $8.1 million ($0.17 per Unit diluted or 18 percent of revenue), an increase of 54 percent or $2.8 million over EBITDA for the prior year period of $5.3 million ($0.19 per Unit diluted or

(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 year ended December 31, 2008 (restated)

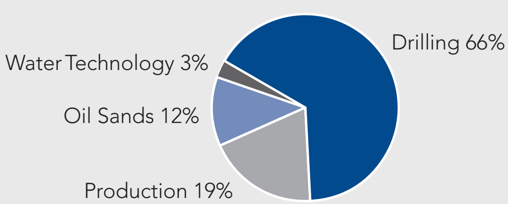
21 percent of revenue). On a margin basis, lower general and administrative expenses relatively offset the lower margins on certain merged operating activities which have lower margins as compared to Peak's historical operating divisions;

- incurred an impairment loss on goodwill of $1.4 million. Exclusive of this impact, Peak posted an adjusted income [(1)] of $0.8 million ($0.02 per Unit diluted), which was a decrease of 18 percent or $0.2 million as compared to an adjusted income for the fourth quarter of fiscal 2007 of $1.0 million ($0.04 per Unit diluted);
- posted a net loss of $0.6 million (loss of $0.01 per Unit diluted), which was an increase of 160 percent or $1.6 million as compared to a net income for the prior year period of $1.0 million ($0.04 per Unit diluted); and
- generated adjusted distributable cash [(1)] of $17.5 million or $0.36 per Unit diluted (2007 – $3.1 million or $0.11 per Unit diluted), of which zero distributions ($0.00 per Unit) were made to Unitholders during the current quarter resulting in a payout ratio of zero percent (2007 – $2.2 million ($0.08 per Unit) or 71 percent).

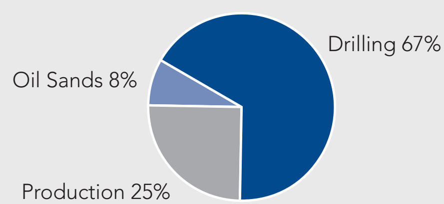
REVENUE

(in thousands of CAD, except as otherwise noted)	2008	2007	$ Change	% Change
	(restated)	*(restated)*		
Drilling Services revenue	29,526	16,972	12,554	74
Production Services revenue	8,407	6,328	2,079	33
Oil Sands revenue	5,208	1,957	3,251	166
Water Technology revenue	1,392	–	1,392	N/C[(2)]
Total revenue	44,533	25,257	19,276	76

2008



2007



For the three months ended December 31, 2008, Peak generated revenue of $44.5 million compared to $25.3 million for the same period of 2007, representing an increase of 76 percent compared to an increase of 13 percent in Canadian drilling rig operating days and a 9 percent decrease in Canadian service rig activity over this time period. Total Canadian drilling rig operating days for the fourth quarter of fiscal 2008 were 34,836 days compared to 30,841 days for the same period of 2007. Meanwhile Canadian service rig utilization was 53 percent for the three months ended December 31, 2008, compared to 58 percent for the prior year period.

(1) Refer to the "Non-GAAP Measures and Reconciliations" section of this MD&A for further details.
(2) Not calculable ("N/C").

Drilling Services' revenue increased by $12.6 million or 74 percent as it generated $29.5 million in revenue or 66 percent of the Trust's total revenue for the three months ended December 31, 2008, compared to $17.0 million or 67 percent for the prior year period. The revenue increase in excess of the increase in Canadian drilling rig operating days was the result of the revenue generated by the former Wellco assets and Surface Rentals operating division (particularly the solids control product line) more than offsetting lower utilization and pricing experienced by all operating divisions.

Production Services' revenue increased by $2.1 million or 33 percent as it contributed $8.4 million in revenue or 19 percent of the Trust's total revenue for the three months ended December 31, 2008, compared to $6.3 million or 25 percent for the prior year period. The revenue increase was significantly better than the lower Canadian service rig activity and was the result of the business acquisition of Amwest and strong growth in activity within the Trust's Fluids Handling operating division.

Oil Sands' revenue increased by $3.3 million or 166 percent as it generated $5.2 million in revenue or 12 percent of the Trust's total revenue, compared to $2.0 million or 8 percent for the prior year. The increase was primarily the result of strong activity within the Fluid Handling operating division and the Wellco merger, as the increase represents activities from the Camps and Catering and Remote Waste Water Systems operating divisions. Management expects this reporting segment to be a significant area of focus and growth for Peak in the future.

Water Technology revenue was $1.4 million or 3 percent of the Trust's total revenue. There was no revenue for the comparative prior year period as this reporting segment was a direct result of the Wellco merger and represents the activities of the Water Technology operating division.

OPERATING EXPENSES

(in thousands of CAD, except as otherwise noted)	2008	2007	$ Change	% Change
	(restated)	*(restated)*		
Operating expenses	27,774	13,510	(14,264)	–106
As a percentage of total revenue	62%	53%		

For the three months ended December 31, 2008, operating expenses were higher than the prior year period by $14.3 million or 106 percent. As a percentage of revenue, operating expenses were 62 percent compared to the prior year period of 53 percent. The primary driver of the increase in operating expenses as a percentage of revenue was:

- 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. Improving these margins is a key area of focus as management has seen several opportunities for improvement since acquiring these operating divisions in March 2008, however the major strategies to take advantage of these opportunities take longer to implement and for their effects to impact the financial results.

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

For the year ended December 31, 2008 (restated)

GENERAL AND ADMINISTRATIVE EXPENSES

(in thousands of CAD, except as otherwise noted)	2008	2007	$ Change	% Change
	(restated)	*(restated)*		
General and administrative expenses	8,663	6,474	(2,189)	–34
As a percentage of total revenue	19%	26%		

For the fourth quarter of fiscal 2008, G&A was $2.2 million or 34 percent higher than the prior year period. As a percentage of revenue, G&A decreased to 19 percent for the current year period as compared to 26 percent for the prior year period. On a net dollar basis there were a number of partially offsetting factors impacting G&A.

The primary factors increasing G&A were:

- $1.1 million in increased facility costs (rent, utilities and property taxes) resulting from additional field facilities added with the Wellco merger; and
- $0.9 million in increased employee related costs primarily the result of the Wellco merger, as certain support functions of Peak required additional employees to support the post merged operational activities.

The primary factor decreasing G&A was:

- a $0.7 million decrease in variable incentive compensation, as the weaker financial performance of the Trust reduced amounts payable under various programs.

EBITDA

(in thousands of CAD, except as otherwise noted)	2008	2007	$ Change	% Change
	(restated)	*(restated)*		
EBITDA (1)	8,096	5,273	2,823	54
Per unit – diluted	0.17	0.19	(0.02)	–11
As a percentage of total revenue	18%	21%		

EBITDA increased $2.8 million or 54 percent to $8.1 million for the three months ended December 31, 2008. EBITDA as a percentage of revenue, was 18 percent for the current quarter as compared to 21 percent for same quarter of fiscal 2007. The primary drivers of the quarter-over-quarter decrease are detailed above.

DEPRECIATION AND AMORTIZATION EXPENSES

(in thousands of CAD, except as otherwise noted)	2008	2007	$ Change	% Change
	(restated)	*(restated)*		
Depreciation and amortization expenses	4,042	3,882	(160)	–4

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

For the three months ended December 31, 2008, depreciation and amortization expenses were higher than the prior year period by $0.2 million or 4 percent. As compared to the prior year period, the primary driver of the increase in the expense was the result of the additional assets Peak acquired in the merger with Wellco increasing the asset base to be depreciated.

INTEREST ON LONG-TERM DEBT EXPENSE

(in thousands of CAD, except as otherwise noted)	2008	2007	$ Change	% Change
Interest on long-term debt expense	1,318	996	(322)	–32

Interest on long-term debt expense was $1.3 million for the three months ended December 31, 2008 (2007 – $1.0 million). The interest cost (expressed as a percentage of the average long-term debt outstanding during the period) was 6.0 percent (2007 – 5.6 percent). The quarter-over-quarter relative consistency in the percentage was representative of the Trust's debt structure remaining consistent with a combination of a fixed and floating rate structure and a relative consistency in the bank prime lending rate.

LOSS ON SALE OF EQUIPMENT

(in thousands of CAD, except as otherwise noted)	2008	2007	$ Change	% Change
Loss on sale of equipment	85	916	831	91

For the three months ended December 31, 2008, the loss on sale of equipment amounted to $0.1 million compared to a loss of $0.9 million for the prior year period. The losses were the result of the Trust's ongoing asset rationalization program, whereby equipment identified during the period not generating an appropriate rate of return was disposed of and the proceeds were reinvested in equipment that is expected to generate improved returns on invested capital.

IMPAIRMENT LOSS ON PROPERTY HELD FOR SALE

(in thousands of CAD, except as otherwise noted)	2008	2007	$ Change	% Change
Impairment loss on property held for sale	220	–	(220)	N/C[2]

For the three months ended December 31, 2008, the Trust incurred an impairment loss on property held for sale of $0.2 million. As of December 31, 2008, management committed to a plan to dispose of property Peak acquired through the Amwest acquisition and this asset was classified as property held for sale. During the period, management evaluated and determined that the carrying value of the property exceeded its fair value, based on the negotiated selling price with an independent third party, which closed subsequent to year end. The reduction in value was attributed to the economic downturn experienced during the last few months of 2008. Peak accordingly recognized an impairment loss of $0.2 million to reduce the asset's carrying value to management's estimate of its fair value.

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

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

For the year ended December 31, 2008 (restated)

IMPAIRMENT LOSS ON GOODWILL

(in thousands of CAD, except as otherwise noted)	2008	2007	$ Change	% Change
Impairment loss on goodwill	1,409	–	(1,409)	N/C(2)

Goodwill is recorded at cost and is not amortized. The annual goodwill impairment test was performed during the fourth quarter of fiscal 2008. The results determined that the carrying amount of the Production Services operating segment assets exceeded their fair value. The conditions which precipitated the impairment of goodwill were 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. The culmination of these conditions has decreased the fair value of the Trust, which is reflected in the market value of the Trust at December 31, 2008. Accordingly, a goodwill impairment loss of $1.4 million was recognized in the Production Services operating segment as an impairment loss on goodwill.

FOREIGN EXCHANGE (GAIN) LOSS

(in thousands of CAD, except as otherwise noted)	2008	2007	$ Change	% Change
Foreign exchange (gain) loss	(857)	723	1,580	219

For the three months ended December 31, 2008, the Trust incurred a foreign exchange gain of $0.9 million. The gain is primarily related to the change in value, measured in Canadian dollars, of working capital within Peak's United States of America operations due to the significant depreciation in value of the Canadian dollar against the American dollar during the quarter.

PROVISION FOR INCOME TAXES

(in thousands of CAD, except as otherwise noted)	2008	2007	$ Change	% Change
	(restated)	*(restated)*		
Provision for income taxes (recovery)	2,298	(2,692)	(4,990)	–185
Effective income tax rate	122%	216%		

The current tax expense of $0.5 million and future tax expense of $1.8 million, resulted in a net income tax expense of $2.3 million and an effective income tax rate of 122 percent for the three months ended December 31, 2008.

NET INCOME (LOSS) FROM CONTINUING OPERATIONS

(in thousands of CAD, except as otherwise noted)	2008	2007	$ Change	% Change
	(restated)	*(restated)*		
Net income (loss) from continuing operations	(419)	1,448	(1,867)	-129
Loss per Unit – basic and diluted	(0.01)	0.05	(0.06)	-120

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

For the year ended December 31, 2008, the net loss from continuing operations increased 129 percent to a loss of \$0.4 million (loss of \$0.01 per Unit diluted) compared to a net income from continuing operations of \$1.5 million (\$0.05 per Unit diluted) for the prior year period.

NET LOSS FROM DISCONTINUED OPERATIONS

(in thousands of CAD, except as otherwise noted)	2008	2007	$ Change	% Change
	(restated)	*(restated)*		
Net loss from discontinued operations	(176)	(452)	276	61
Loss per Unit – basic and diluted	–	(0.02)	0.02	100

For the year ended December 31, 2008, the net loss from discontinued operations decreased 61 percent to \$0.2 million (loss of \$0.00 per Unit diluted) compared to a net loss from discontinued operations of \$0.5 million (loss of \$0.02 per Unit diluted) for the prior year period. During fiscal 2009, management identified that the Wireline operating division included in the Production Services reporting segment, be disposed of in order for Peak to focus on its core business operations. This was part of management's ongoing asset rationalization program, whereby equipment identified during the period as not generating an appropriate rate of return are earmarked for potential disposal with the intentions of generating proceeds to be positioned for reinvestment in equipment that is expected to generate improved returns on invested capital. The 2008 financial statements have been restated to reflect the discontinued operation. Peak completed the sale of the Wireline operating division on July 14, 2009 for gross cash proceeds of \$5.8 million. The proceeds generated from the sale were significantly less than the book value of the assets for the division and an impairment loss of \$12.3 million was realized in the second quarter of 2009.

NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(in thousands of CAD, except as otherwise noted)	2008	2007	$ Change	% Change
Net income (loss) and comprehensive income (loss)	(595)	996	(1,591)	–160
Earnings (loss) per Unit – diluted	(0.01)	0.04	(0.05)	–125

Exclusive of the loss on impairment of goodwill, the adjusted income (1) for fourth quarter of 2008 decreased \$0.2 million or 18 percent over the comparative prior year quarter to an income of \$0.8 million (\$0.02 per Unit diluted). Meanwhile, for the three months ended December 31, 2008, net loss and comprehensive loss increased 160 percent to a loss of \$0.6 million (a loss of \$0.01 per Unit diluted) compared to a net income and comprehensive income of \$1.0 million (\$0.04 per Unit diluted) for the prior year period.

PROPOSED TRANSACTIONS

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

(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 year ended December 31, 2008 (restated)

CRITICAL ACCOUNTING ESTIMATES

This MD&A of Peak's financial condition, results of operations and cash flows is based on its consolidated financial statements which are prepared in accordance with Canadian GAAP. The Trust's significant accounting policies are described in note 2 to its consolidated financial statements. In preparation of the Trust's 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 judgments 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 below.

VALUATION OF ACCOUNTS RECEIVABLE

The Trust performs periodic credit evaluations of its customers and grants credit based upon credit checks, past history and financial condition. Customer payments are monitored and a valuation allowance is established based upon specific situations. The Trust's history of bad debt losses has been within expectations and generally limited to specific customer circumstances, however given the cyclical nature of the oil and natural gas industry and the inherent risk of production and exploration activities, a customer's ability to fulfill its obligations can change suddenly and without notice.

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets, which include property and equipment, intangibles and goodwill, comprise the majority of the Trust's assets. The carrying value of these assets is periodically reviewed for impairment whenever events or changes in circumstances indicate that their carrying value may be impaired. This requires the Trust to forecast future cash flows to be derived from the utilization of these assets based upon assumptions about future industry conditions. Significant, unanticipated changes to these assumptions could require an impairment provision in the future.

DEPRECIATION AND AMORTIZATION

The Trust's property and equipment and its intangible assets are depreciated and amortized based upon estimated useful lives and salvage values. These estimates may change as more experience is gained, market conditions change or new technological advancements are made.

INCOME TAXES

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 Trust's corporate subsidiaries are subject to statutory corporate income taxes, certain provincial capital taxes and certain state taxes and they, along with the Trust, follow the liability method of accounting for income taxes. Under the liability method, future income tax assets and liabilities are determined based on "temporary differences", and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. Valuation allowances are established to reduce future tax assets when it is more likely than not that some portion or all of the asset will not be realized. Estimates of future taxable income and the continuation of tax planning arrangements have been considered in assessing the utilization of available tax losses. Changes in circumstances and assumptions may require changes to the valuation allowances with the Trust's future tax assets.

FINANCIAL AND OTHER INSTRUMENTS

RISK MANAGEMENT ACTIVITIES

A concentration of credit risk of the Trust's trade accounts receivable exists as they are essentially all derived from the oil and natural gas industry. Overall significant long-term changes in the geopolitical, economic or environmental conditions, as they relate to the oil and natural gas industry, could adversely impact the Trust's ability to realize on its accounts receivable. The amount of this impact is not determinable. The Trust manages this risk through various internal processes including credit checks, special conditions applied to customers based on historical experience, and management of accounts receivable exposure to any one customer during any one period. The Trust does not have a significant exposure to any individual customer or other parties.

FAIR VALUES

The carrying values of cash and cash equivalents, accounts receivable, prepaid expenses, inventory, accounts payable and accrued liabilities, income taxes payable and distributions payable approximate their fair value due to the relatively short period of maturity of these instruments. At December 31, 2008, the long-term debt had an estimated fair value of $90.2 million (2007 – $71.0 million).

INTEREST RATE RISK

Through its use of long-term debt, the Trust is exposed to interest rate risk as its debt has fixed and floating rates. Peak utilizes long-term debt to fund growth capital expenditures and business acquisitions, as required. Management employs several methods to implement its strategy of minimizing this risk. The most significant of these being the discipline of only utilizing the Trust's debt facilities to fund growth capital expenditures and strategic business acquisitions that will provide additional cash flow to service the debt outstanding while funding maintenance capital expenditures and cash expenses through operating activities. Secondly, management strategically has a goal of maintaining a relatively low level of debt to equity. Currently the debt to equity ratio is 0.51 to 1.00 (2007 – 0.51 to 1.00). This is higher than management's goal and part of the reason for the decision to suspend distributions and use cash available to reduce the long-term debt outstanding as detailed in the "Adjusted Distributable Cash – Financing Strategy" and "Capital Resources – Long-term Debt" sections of this MD&A. Furthermore, management has secured $30.0 million and $10.0 million of its current debt at a fixed rates of 6.3 percent and 7.2 percent, respectively, with no requirement of repayment of principal until at least 2012.

FOREIGN EXCHANGE

The Trust has an exposure to foreign currency exchange rates, primarily because of its operations in the United States of America, where both carrying values and earnings are subject to foreign exchange risk. Currently, management believes these operations are not significant enough to warrant an active management program to mitigate the foreign exchange exposure.

BUSINESS RISKS

GENERAL

Certain activities of the Trust are affected by factors that are beyond its control or influence. The business and activities of the Trust are directly affected by fluctuations in the levels of exploration, development and production activities carried on by its customers which, in turn, is dictated by numerous factors, including world energy prices and government policies. Any change in government policy on incentives could have a significant impact on the oilfield services industry in Canada.

VOLATILITY OF INDUSTRY CONDITIONS

The demand, pricing and terms for oil and natural gas services largely depend upon the level of industry activity for Canadian natural gas and, to a lesser extent, oil exploration and development. Industry conditions are influenced by numerous factors over which Peak has no control, including: the level of oil and natural gas prices; expectations about future oil and natural gas prices and production; the cost of exploring for, producing and delivering oil and natural gas; the expected rates of declining current production; the discovery rates of new oil and natural gas reserves; available pipeline and other oil and natural gas transportation capacity; worldwide weather conditions; global political, military, regulatory and economic conditions; alternative fuel requirements; increasing consumer demand for alternatives to oil and natural gas; technological advances in fuel economy and energy generation devices; and the ability of oil and natural gas companies to raise equity capital or debt financing.

The level of activity in the Canadian oil and natural gas exploration and production industry is volatile. No assurance can be given that expected trends in oil and natural gas production activities will continue or that demand for oil and natural gas services will reflect the level of activity in the industry. Any prolonged substantial reduction in oil and natural gas prices would likely affect oil and natural gas production levels and therefore affect the demand for services to oil and natural gas customers. A material decline in oil or natural gas prices or Canadian industry activity could have a material adverse affect on the Trust's business, financial condition, results of operations and cash flows. Peak's business and activities are directly affected by fluctuations in the levels of exploration, development and production activity carried on its our customers.

GLOBAL ECONOMIC CRISIS

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to hydrocarbon commodity prices. These conditions worsened in 2008 and are continuing in 2009, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have negatively impacted company valuations and will impact the performance of the global economy going forward.

ALBERTA ROYALTY FRAMEWORK

On October 25, 2007, the Government of Alberta announced a new royalty framework which took effect on January 1, 2009. Under the new royalty framework, royalty rights of the Alberta Government have increased on conventional oil, natural gas and the oil sands. Subsequently, the Alberta Government has provided certain other incentives that partially offset the impact of the new royalty framework. It is unclear how oil and natural gas producers will react to the new royalty framework and the related incentives over the long-term, however near-term indicators suggest oil and natural gas producers have curtailed new investments and/or reduced activity levels in the Province of Alberta. This has adversely impacted the demand for Peak's services in the Province of Alberta. If this investment curtailment persists over the long-term, the demand for Peak's services in the Province of Alberta could be materially reduced, which could have a material adverse effect on Peak's ongoing operations, financial condition, results of operations and cash flows.

CREDIT RISK

The majority of the Trust's accounts receivable are with customers involved in the oil and natural gas industry, whose revenues may be impacted by fluctuations in hydrocarbon commodity prices. Collection of these receivables could be influenced by economic factors affecting the industry. Management considers the risk of a significant loss to be low to medium at this time.

COMPETITION

The oil and natural gas services business in which Peak operates is highly competitive. The Trust competes with several large national and multinational companies. Many of those national and multinational companies have greater financial and other resources. To be successful, Peak must provide services that meet the specific needs of its clients at competitive prices. The principle competitive factors in the markets in which Peak operates are service quality and availability, reliability and performance of equipment used to perform services, technical knowledge and experience and reputation for safety and price. Peak also competes with several regional competitors that are smaller than the Trust. These competitors offer similar services in all geographic regions in which Peak operates. As a result of competition, Peak may be unable to continue to provide present services or to acquire additional business opportunities, which could have a material adverse effect on Peak's business, financial condition, result of operations and cash flows.

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

ACCESS TO EQUIPMENT AND RELATIONSHIPS WITH KEY SUPPLIERS

The ability of Peak to compete and expand will be dependent, in part, on having access, at a reasonable cost, to equipment, parts and components, which are at least technologically equivalent to those utilized by competitors and to the development and acquisition of new and competitive technologies. Although the Trust has relationships with various key suppliers, there can be no assurance that those sources of equipment parts, components or relationships with key suppliers will be maintained. If these are not maintained, Peak's ability to compete may be impaired. The Trust is able to access certain distributors and secure discounts on parts and components that would not be available if it were not for its relationship with certain key suppliers. Should these relationships cease, the availability and cost of securing certain equipment and parts may be adversely affected.

EMPLOYEES

The success of the Trust is dependent upon Peak's key personnel. Any loss of the services of such persons could have a material adverse impact on the business and operations of the Trust. The ability of the Trust to expand its services is dependent upon Peak's ability to attract and retain required qualified employees. There can be no assurance that Peak will be successful in this regard. The ability to secure the services of personnel can be significantly constrained in times of strong industry activity.

ENVIRONMENTAL LIABILITY RISKS

Certain operations of Peak routinely deal with natural gas, oil and other petroleum products. Peak has programs to address compliance with current environmental standards and monitors its practices concerning handling of environmentally hazardous materials, however, there can be no assurance that Peak's procedures will prevent environmental damage occurring from spills of materials handled by the Trust or that such damage has not already occurred. As a result of its fabrication and refurbishing operations, the Trust also generates or manages hazardous wastes, such as solvents, thinners, waste paint, waste oil and washdown wastes.

Although the Trust strictly enforces a program to identify and address contamination issues before acquiring or leasing properties, and uses generally accepted operating and disposal practices, hydrocarbons or other wastes may have been disposed of or released on or under properties owned, leased, or operated by the Trust prior to the Trust owning, leasing or operating these properties. These properties and the wastes disposed thereon may be subject to environmental laws that could require the Trust to remove the wastes or re-mediate sites where they have been released.

INSURANCE AND OPERATING RISKS

Peak has a comprehensive insurance and risk management program in place to protect its assets and operations. This program meets or exceeds industry standards. The Trust also has programs in place to meet or exceed current environmental standards. Peak's internal safety procedures include detailed safety and operating procedures, as well as internal and external safety and environmental response and operating training for all employees. The Chief Operating Officer and the operational management are required, in the event of any incident, to report any such incidents to the Vice President, Health, Safety, Environment and Risk Management who will evaluate based on a predetermined scale of severity. The incident is then reported the to the Executive Vice President and the President and Chief Executive Officer. The Trust's operations remain subject to risks inherent in the oil and natural gas industry, such as equipment defects, malfunction, failures and natural disasters. These risks could expose the Trust to liabilities associated with personal injury, loss of life, business interruption, property damage or environmental pollution.

Although the Trust has analyzed its risk profile and obtained, in management's opinion, adequate insurance against certain of the risks to which it is exposed, such insurance is subject to coverage limits and no assurance can be given that such insurance will be adequate to cover the Trusts liabilities. If the Trust were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, its financial condition, results of operations and cash flows could be materially adversely affected.

ACCESS TO ADDITIONAL FINANCING

Peak may find it necessary in the future to obtain additional debt or equity financing to support ongoing operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available when needed or on acceptable terms. The Trust's inability to raise financing to support ongoing operations or to fund capital expenditures or acquisitions could limit its growth and could have a material adverse affect on Peak's business, financial condition, results of operations and cash flows. Where additional financing is raised by the issuance of Trust Units or securities convertible into Trust Units, control of the Trust may change and Unitholders may suffer dilution to their investment. Peak's activities may also be financed partially or wholly with debt, which may increase Peak's debt levels above industry standards.

LEVERAGE AND RESTRICTIVE COVENANTS

The Trust's ability to resume making distributions or make other payments or advances will be subject to applicable laws and contractual restrictions in the instruments governing any indebtedness of the Trust. The degree to which the Trust is leveraged could have important consequences for the Unitholders including: (i) the Trust's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; (ii) all or part of our cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations or for distribution to Unitholders; (iii) certain of the Trust's borrowings will be at variable rates of interest, which exposes it to the risk of increased interest rates; and (iv) the Trust may be more vulnerable to economic downturns and be limited in its ability to withstand competitor pressures. These factors could have a material adverse affect on Peak's business, financial condition, results of operations and cash flows.

Interest expense has been estimated for the purpose of estimating cash flow available for debt repayment based on current market conditions that are subject to fluctuations. Such fluctuations could result in an unanticipated material increase in interest rates that could in turn have a material adverse affect.

Peak's credit facilities contain numerous covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, Peak's ability to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the credit facilities contain a number of financial covenants requiring Peak to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in the credit facilities could result in a default which, if not cured or waived, could result in the acceleration of the relevant indebtedness, which will rank in priority to all other indebtedness. If the indebtedness under Peak's credit facilities were to be accelerated, there can be no assurance that its assets would be sufficient to repay in full that indebtedness.

Any failure to repay or refinance Peak's credit facilities at the maturity date on acceptable terms or to comply with applicable covenants under the credit facilities could have a material adverse affect on Peak's cash flow and, as a result, the value of the Trust Units. There is no assurance that Peak will be able to refinance its credit facility at the maturity date on acceptable terms, or on any basis.

TAX LEGISLATION

Peak's current legal structure as an unincorporated open-end investment trust, commonly referred to as a "flow-through" entity, has certain corporate taxation advantages over a traditional corporate structure. Speculation, proposals or legislated changes to current tax laws may have an adverse impact to the Trust's enterprise value, consequently restricting the Trust's ability to access additional debt or equity financing on terms acceptable to the Trust to support ongoing operations, to undertake capital expenditures or business acquisitions. The Trust's inability to access financing to support ongoing operations or to fund capital expenditures or business acquisitions could limit the Trust's growth and may have a material adverse impact on the Trust.

The federal government's announced intentions to require income trusts to pay taxes at rates consistent with corporations was enacted into law during June 2007. 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.

FOREIGN EXCHANGE IMPACT ON INDUSTRY ACTIVITY

World oil and natural gas prices are quoted in American dollars and the price received by Canadian producers is therefore affected by the Canadian / American dollar exchange rate, which fluctuates over time. In recent years, the Canadian dollar has been volatile in value against the American dollar. Material increases in the value of the Canadian dollar may negatively impact the production revenues of Peak's customers. This increase in the exchange rate and future exchange rates could accordingly impact the future value of the oil and natural gas reserves of Peak's customers. If, in response to the adverse fluctuations in the exchange rates, oil and natural gas producers were to curtail new investments and/or reduce activity levels in Canada, the demand for Peak's services in Canada could be materially reduced, which could have a material adverse effect on Peak's on-going operations, financial condition, results of operations and cash flows.

SEASONALITY

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 of the year and lower in the second and third quarter.

FAILURE TO REALIZE ANTICIPATED BENEFITS OF ACQUISITIONS AND DISPOSITIONS

The Trust makes business acquisitions and dispositions of product lines and assets in the ordinary course of business. Achieving the benefits of business acquisitions depends, in part, on successfully consolidating functions and integrating operations, equipment and procedures in a timely and efficient manner. Management has several years experience through successfully completing numerous acquisitions and has developed a post acquisition integration strategy to facilitate the timely integration of acquired businesses. In addition, management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets will be periodically disposed of so that the Trust can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, if disposed of, the Trust may realize less than their carrying value in the Trust's consolidated financial statements.

OTHER RISK FACTORS

For additional information that could impact the Trust's business, see "Risk Factors" in the Trust's Annual Information Form which is available on SEDAR at www.sedar.com.

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

For the year ended December 31, 2008 (restated)

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 President and 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 December 31, 2008, 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 December 31, 2008, 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 December 31, 2008.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the year ended December 31, 2008, Peak merged with Wellco as discussed in the "Liquidity – Investing Activities" section of this MD&A. Prior to the merger, Wellco was a publicly listed entity and therefore subject to the reporting requirements of a reporting issuer. There is a risk that Peak management was not made aware of all material information relative to Wellco during the period that the annual consolidated financial statements and MD&A were being prepared. However, prior to the completion of the merger, due diligence in this regard was undertaken by management. Management is actively working on fully integrating the former Wellco activities into its existing reporting systems and believes that once complete will have re-mediated this risk. The integration of the former Wellco activities into Peak's existing reporting systems has resulted in a change that materially affects the ICFR.

Management has designed and implemented controls to ensure that during the integration process activities were accurately measured, reviewed and recorded; and all relevant presentation and disclosure requirements have been included in the financial statements in accordance with Canadian GAAP. Management confirms that there have not been any changes to the ICFR during the year ended December 31, 2008, that have materially affected, or are reasonably likely to materially affect, the ICFR with the exception of the merger with Wellco.

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 from continuing operations, 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 from continuing operations:

	Three months ended December 31		Year ended December 31	
(in thousands of CAD)	2008	2007	2008	2007
	(restated)	*(restated)*	*(restated)*	*(restated)*
Adjusted EBITDA	8,096	5,273	23,387	23,204
Less merger closing related items:				
Succession planning	–	–	1,300	–
Financing fees	–	–	700	–
EBITDA	8,096	5,273	21,387	23,204
Less:				
Depreciation and amortization	4,042	3,882	16,217	15,425
Interest on long-term debt	1,318	996	5,168	4,419
Loss on sale of equipment	85	916	619	2,177
Impairment loss on property held for sale	220	–	220	–
Impairment loss on goodwill	1,409	–	1,409	2,396
Foreign exchange loss	–	723	–	723
	1,022	(1,244)	(2,246)	(1,936)
Add:				
Foreign exchange gain	857	–	1,109	–
	1,879	(1,244)	(1,137)	(1,936)
Provision for income taxes (reduction)	2,298	(2,692)	2,047	(7,946)
Net income (loss) from continuing operations	(419)	1,448	(3,184)	6,010

ADJUSTED INCOME (LOSS)

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

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

	Three months ended December 31		Year ended December 31	
(in thousands of CAD)	2008	2007	2008	2007
Adjusted income (loss)	814	996	(1,918)	7,234
Less:				
Succession planning (net of tax)	–	–	975	–
Financing fees (net of tax)	–	–	525	–
Impairment loss on goodwill (net of tax)	1,409	–	1,409	1,797
Discontinued operations – impairment loss on goodwill (net of tax)	–	–	–	13,163
Net income (loss)	(595)	996	(4,827)	(7,726)

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 companies 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)	2008	2007
Standardized distributable cash	3,541	9,675
Add:		
Business acquisitions	8,740	–
Purchase of equipment	18,139	17,154
Distribution restrictions caused by debt	3,647	–
Cash flow from operations	34,067	26,829

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 demonstrates 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 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, except as otherwise noted)	2008	2007
Adjusted distributable cash	21,266	19,688
Less:		
Business acquisitions	8,740	–
Growth capital expenditures	13,402	3,550
Infrastructure capital expenditures	1,909	12,034
	(2,785)	4,104
Seasonal change in non-cash working capital	(6,326)	(5,571)
Standardized distributable cash	3,541	9,675

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.

The inputs and calculation of the payout ratios are as follows:

(in thousands of CAD, except as otherwise noted)	2008	2007
Distributions declared	–	16,896
Standardized distributable cash	3,541	9,675
Adjusted distributable cash	21,266	19,688
Standardized distributable cash payout ratio	–%	175%
Adjusted distributable cash payout ratio	–%	86%

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 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.

The calculation of the working capital and inputs for the current ratio are as follows:

(in thousands of CAD, except as otherwise noted)	2008	2007
Current assets	57,686	30,135
Current liabilities	(34,771)	(14,882)
Current portion of long-term debt	(9,012)	(3,562)
Net current liabilities	(25,759)	(11,320)
Working capital	31,927	18,815
Current ratio	2.24	2.66

NET DEBT AND FUNDED DEBT

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

The following is a reconciliation of net debt to funded debt to long-term debt (including current portion of long-term debt):

(in thousands of CAD)	2008	2007
Net debt	57,040	51,935
Less: cash and cash equivalents	8,565	1,617
	48,475	50,318
Add: working capital	31,927	18,815
Funded debt	80,402	69,133
Add: cash and cash equivalents	8,565	1,617
Total long-term debt (including current portion of long-term debt)	88,967	70,750

FUNDED DEBT TO EBITDA AND LONG-TERM DEBT TO EQUITY RATIOS

Funded debt to EBITDA ratio is defined as funded debt divided by the trailing 12 month EBITDA. Long-term debt to equity ratio is defined as long-term debt including current portion of long-term debt divided by Unitholders' equity. Funded debt to EBITDA ratio and long-term debt to equity ratio are not recognized measures under Canadian GAAP. Management believes the funded debt to EBITDA ratio and long-term debt to equity ratio provides an indication of how the Trust's operations are financed. The Trust's method of calculating funded debt to EBITDA ratio and 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.

The inputs for the funded debt to EBITDA and long-term debt to equity ratios are as follows:

(in thousands of CAD, except as otherwise noted)	2008	2007
	(restated)	*(restated)*
Funded debt	80,402	69,133
EBITDA	21,387	23,204
Funded debt to EBITDA ratio	3.76	2.98
Total long-term debt	88,967	70,750
Unitholders' equity	173,817	138,737
Long-term debt to equity ratio	0.51	0.51

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2008 the Trust adopted the new Canadian accounting standards regarding inventories, capital disclosures and financial instruments, retroactively without restatement. The adoption of these new accounting standards did not impact the amounts reported in the Trust's consolidated financial statements as they primarily relate to disclosure.

Effective January 1, 2007, the Trust adopted the new Canadian accounting standards regarding financial instruments, hedges and comprehensive income, retroactively without restatement. The adoption of these standards did not have a material impact on the consolidated financial statements. The new standards have been applied to the carrying amounts of assets and liabilities as at January 1, 2007, with a corresponding adjustment to retained earnings (deficit) as of that date. Prior year comparative figures have not been restated.

FINANCIAL INSTRUMENTS

All financial assets are classified as one of the following: held for trading, available-for-sale, held-to-maturity or loans and receivables. All financial liabilities are classified as held for trading or other liabilities. Financial assets and liabilities held for trading are measured at fair value with gains and losses being recognized in net income during the period they occur. Financial assets available-for-sale are measured at fair value with gains and losses, net of tax, being recognized in other comprehensive income until the asset is sold, or if an unrealized loss is considered other than temporary, the unrealized loss is recognized in net income. Financial assets held-to-maturity and loans and receivables and other liabilities are measured at cost and all transaction costs incurred related to these assets or liabilities are recognized in net income when incurred. At January 1, 2007, the Trust designated its cash and cash equivalents as held-for-trading. Accounts receivable were designated as loans and receivables. Accounts payable and accrued liabilities and long-term debt were designated as other liabilities. The Trust did not have any available-for-sale or held-to-maturity instruments during the years ended December 31, 2008 and 2007.

The Trust has evaluated and determined that its method for accounting of deferred financing costs was impacted by these standards. Prior to adopting the new standards, financing costs were deferred and amortized over the term of the associated long-term debt. As of January 1, 2007, financing costs associated with long-term debt are expensed in the period they are incurred and are included in general and administrative expenses.

An embedded derivative is a component of a hybrid (combined) instrument or another contract that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. Embedded derivatives are separated from the host contract and recognized at their fair value in the balance sheet if certain predetermined conditions are met.

The Trust has evaluated and determined that it has no contracts with embedded derivatives.

HEDGES

Derivatives that qualify as accounting hedges are recorded at fair value with gains and losses attributable to the hedged risk being recorded in either net income for fair value hedges and other comprehensive income for cash flow hedges.

The Trust had no accounting hedges during the years ended December 31, 2008 and 2007.

COMPREHENSIVE INCOME

Unrealized gains and losses on financial instruments that are held as available-for-sale, changes in the fair value of cash flow hedging instruments and currency translation adjustments relating to self-sustaining foreign operations are recognized in other comprehensive income and accumulated other comprehensive income, net of tax, until recognized in net income.

The Trust had no other comprehensive income during the years ended December 31, 2008 and 2007 and no opening balance for accumulated other comprehensive income.

Upon implementation and initial measurement under the new recommendations the following adjustments were made to the balance sheet:

BALANCE SHEET JANUARY 1, 2007 (in thousands of CAD)	As reported	Adoption of new accounting policy	As restated
Future income taxes	26,897	(175)	26,722
Deficit	(25,192)	(372)	(25,564)

FUTURE ACCOUNTING STANDARDS

A new Canadian accounting standard has been issued which addresses the recognition, measurement and disclosure of goodwill and intangible assets commencing January 1, 2009. It is not anticipated that the adoption of this new accounting standard will impact the amounts reported in the Trust's financial statements.

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.