PEAK ENERGY SERVICES TRUST

Q1 | 2010 FIRST QUARTER REPORT

2010

FINANCIAL HIGHLIGHTS

(in thousands of CAD, except otherwise noted)	Three months ended March 31		
	2010	2009	% Change
Revenue	38,945	47,465	-18
EBITDA (1)	6,427	12,309	-48
Per unit – diluted	0.07	0.25	-72
As a percentage of revenue	17%	26%	
Net income (loss) from continuing operations	(1,218)	5,384	-123
Per unit – diluted	(0.01)	0.11	-109
Net income from discontinued operations	–	37	-100
Per unit – diluted	–	–	-100
Net income (loss)	(1,218)	5,421	-122
Per unit – diluted	(0.01)	0.11	-109
Funds from operations (1)	5,343	10,881	-51
Per unit – diluted	0.06	0.22	-73
Trust Units outstanding (thousands)	172,383	48,398	256
Industry activity (2)			
Number of drilling rig operating days	38,399	28,244	36
Drilling rig utilization	53%	36%	47
Wells drilled	3,664	2,983	23
Service rig utilization	58%	48%	21

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

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

This page has been intentionally left blank

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

For the three months ended March 31, 2010

The following management's discussion and analysis ("MD&A") of financial condition, results of operations and cash flows for the three months ended March 31, 2010, should be read in conjunction with Peak Energy Services Trust's ("Peak" or the "Trust") interim consolidated financial statements for the three months ended March 31, 2010 and 2009 and the notes contained therein. 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 May 11, 2010.

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

In particular, forward-looking information includes the following statements within this news release regarding the expectations of: oil and natural gas industry activity levels; type/orientation of drilling activities; completion and timing of and when the Trust will convert to a corporation; the geopolitical and global economic future; improvement in future oil and natural gas industry activity levels, hydrocarbon supply/demand balance and associated hydrocarbon commodity pricing; the cyclical and seasonal nature of activity within the oil and natural gas industry; the future provision of Peak's services and its impact on equipment utility, pricing, forecasted financial performance and ability to continue as a going concern; management's business plan, including the fiscal 2010 plan and expectations for Peak's operations and cash flows provided by continuing operations; the Trust's ability to increase market share in various geographical regions; the future financial impact of Peak's cost restructuring initiatives; Peak's future capital expenditures; access to and affordability of debt, including the associated interest cost, and equity capital markets for Peak and its customers; the realignment of Peak's capital resources will improve liquidity and financial flexibility; the Trust's *financing strategy and compliance with debt covenants; Peak's working capital changes; and management's financing strategy for managing Peak's liquidity and capital resources.*

As a result, you are cautioned not to place undue reliance on these forward-looking statements. These statements are based on certain assumptions and analysis made by the Trust in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances. However, whether actual results, performance or achievements will conform to the Trust's expectations and predictions is subject to a number of known and unknown risks and uncertainties which could cause actual results to differ materially from the Trust's expectations. Such risks and uncertainties include, but are not limited to: fluctuations in the price and demand for oil and natural gas; currency fluctuations; fluctuations in the level of oil and natural gas exploration and development activities; fluctuations in the demand for oilfield services that the Trust provides; the effects of weather conditions on operations; the existence of competition from other oilfield service entities; general economic, market or business conditions including the consequences of the current global economic recession; public market volatility and the related ability to access sufficient capital to fund activities; availability to access debt financing to fund activities; government policy changes; changes in laws or regulations, including taxation and environmental regulations; liabilities inherent in the oil and natural gas field services business; the lack of availability of qualified personnel or management; and other unforeseen conditions which could impact the use of services supplied by the Trust.

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

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

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

For the three months ended March 31, 2010

INDUSTRY ACTIVITY

For the first three months of 2010, industry activity levels were higher than management's initial expectations with Canadian drilling operating days being 36 percent higher than the prior year period. Although drilling rig operating days increased by 36 percent, total wells drilled only increased by 23 percent. Wells drilled in Canada for the first quarter of 2010 were at 3,664 wells, which compares negatively with the ten year average of 5,316 wells. Average days/well increased to 10.5 days/well for the current quarter versus 9.5 days/well for the first quarter of 2009. Meanwhile, Canadian service rig utility increased 21 percent to an average of 58 percent.

The general industry trend has seen a greater focus on particular oil and natural gas targets, as technology advancements and associated unitary costs to extract the natural resource are making these targets attractive. Although activity has improved quarter-over-quarter from 2009, activity levels are still significantly lower than the 10 year average. 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. Near-term demand fundamentals have been negatively impacted by the economic recession. Compounding this has been the increase in supply availability from the aggressive natural gas drilling activities that have occurred in the United States of America ("US") over the past few years. This has more than offset the decline in Canadian natural gas directed activities in recent years. US natural gas drilling activities materially declined during 2009, in response to natural gas pricing and the economic recession, however natural gas storage injections have been, to date, resilient. The Western Canadian Sedimentary Basin ("WCSB") recent years' drilling activity has been between 60 and 70 percent natural gas oriented, with the exception of 2009, where reduced natural gas drilling activity and an increase in oil directed drilling activity shifted this ratio to approximately 50 percent oil oriented. This shift is expected to continue in 2010; and
- the Alberta government's decision to increase the Alberta royalty rates paid by producers effective January 1, 2009. Changes to the royalty program announced in early 2010 by the Alberta government are positive and welcomed by the industry, however some of the changes do not take effect until 2011. Historically, approximately 70 to 75 percent of Canadian drilling rig operating days have been generated in Alberta.

Partially offsetting the above negative factors was the relative recovery of oil prices and this motivated some producers to focus their efforts towards oil related activities, partially offsetting the lack of intensity on natural gas related activities.

Analysts are forecasting that Canadian oil and natural gas drilling activity levels will increase in 2010 from 2009, with the current trend of a lower number of wells with a longer duration for each well being drilled, continuing. Their current forecasted range is between 8,500 and 12,000 wells drilled. Management cautiously concurs with the lower end of this forecasted range and first quarter activity supports this forecasted range. Furthermore, it will be challenging for overall pricing to improve materially from 2009 for 2010, as there is excess rental equipment in several of the oilfield service industry segments that Peak competes in.

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

OVERALL PERFORMANCE

For the first quarter of 2010, Canadian drilling rig operating days were higher than the same period in 2009 at 38,399 days, representing an increase of 36 percent. Quarter-over-quarter, Canadian drilling rig utilization was 53 percent (2009 – 36 percent). Of total drilling rig operating days Alberta contributed 67 percent (Saskatchewan 15 percent; British Columbia 16 percent) representing an overall increase for the quarter as drilling rig operating days within the province increased 42 percent (Saskatchewan 110 percent; British Columbia negative 7 percent). Activity continues to be focused on longer wells as 3,664 wells were drilled (2009 – 2,983 wells) with the average days/well increasing to 10.5 days/well (2009 – 9.5 days/well). Following the same trend to a lesser degree, Canadian service rig utility was up 21 percent quarter-over-quarter, with overall utilization of 58 percent (2009 – 48 percent).

For the three months ended March 31, 2010, Peak:

- generated revenue of $38.9 million which was an 18 percent or $8.5 million decrease over first quarter 2009 revenue of $47.5 million. The primary drivers of the decrease were significant pricing pressure as well as decreased utilization levels in the Camps and Catering operating division within the oilsands reporting segment;
- realized EBITDA(1) of $6.4 million ($0.07 per Unit diluted or 17 percent of revenue), a decrease of 48 percent or $5.9 million over EBITDA for the prior year period of $12.3 million ($0.25 per Unit diluted or 26 percent of revenue). On a margin basis, the primary negative impact was the significant decrease across the board overall pricing for services;
- recognized a loss on sale of equipment of $3.1 million. The loss was the result of the current negative market conditions;
- realized a net loss of $1.2 million (loss of $0.01 per Unit diluted), which was a decrease of 122 percent or $6.6 million as compared to a net income for the same prior year period of $5.4 million ($0.11 per Unit diluted);

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

- generated funds from operations[1] of $5.3 million or $0.06 per Unit diluted (2009 – $10.9 million or $0.22 per Unit diluted);
- negotiated amendments to its long-term debt agreements resulting in total debt facility capacity of $65.0 million, subject to certain conditions being met; and
- issued 124.0 million Trust Units for net proceeds of $23.6 million.

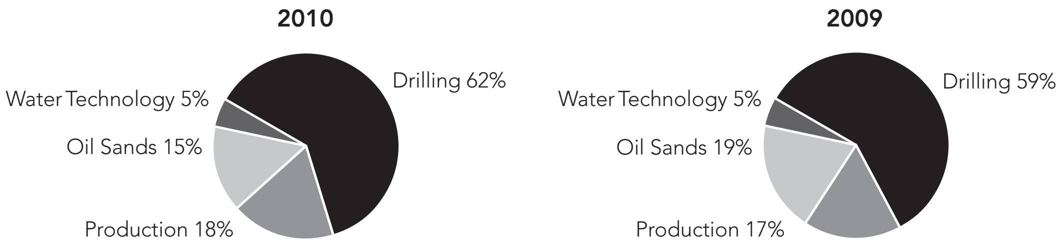
As compared to December 31, 2009, Peak:

- increased working capital[1] by $17.7 million to $27.8 million;
- decreased tangible capital assets by $7.0 million to $198.5 million;
- decreased funded debt[1] by $21.0 million to $39.6 million; and
- increased Unitholders' equity by $22.5 million to $173.2 million.

RESULTS OF OPERATIONS

REVENUE

Three months ended March 31 (in thousands of CAD, except as otherwise noted)	2010	2009	$ Change	% Change
		(restated)		
Drilling Services revenue	23,829	28,206	(4,377)	-16
Production Services revenue	7,146	8,189	(1,043)	-13
Oil Sands revenue	6,031	8,831	(2,800)	-32
Water Technology revenue	1,939	2,239	(300)	-13
Total revenue	38,945	47,465	(8,520)	-18



For the three months ended March 31, 2010, Peak generated revenue of $38.9 million compared to $47.5 million for the same prior year period, representing a decrease of 18 percent compared to a 36 percent increase in Canadian drilling rig operating days and a 21 percent increase in Canadian service rig activity. Total Canadian drilling rig operating days for the first quarter of 2010 were 38,399 days compared to 28,244 days for the first quarter of 2009. Meanwhile Canadian service rig utilization was 58 percent for the first three months of 2010, compared to 48 percent for the prior year.

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

Price discounts has had a dramatic negative impact on Peak's revenue. Management estimates that if pricing in the current quarter was at first quarter 2009 levels, the Trust would have generated approximately $52.1 million in revenue, representing an increase of 10 percent over the first quarter of 2009.

Drilling Services' revenue decreased by $4.4 million or 16 percent as it generated $23.8 million in revenue or 62 percent of the Trust's total revenue, compared to $28.2 million or 59 percent for the prior year period. Peak did experience expected equipment utilization consistent with the increase in drilling rig operating days but the increased utilization produced lower revenue as a result of significant pricing pressure. Compared to the first quarter of 2009, pricing was down as much as 30 percent for certain products. On a percentage of total Drilling Services revenue, US based revenue almost doubled quarter-over-quarter contributing $6.2 million or 26 percent of revenue as compared to $3.3 million or 12 percent in the prior year's first quarter. Although US drilling rig activity and pricing has decreased materially in the past 15 months, Peak has had success in gaining market share in the mid-west Rockies (Wyoming and Colorado) and Pennsylvania regions, particularly with its integrated solids control solutions. Peak intends to capitalize and build on this success by gaining further market share in these and potential other areas within the US.

Production Services' revenue decreased by $1.0 million or 13 percent as it generated $7.1 million in revenue or 18 percent of the Trust's total revenue, compared to $8.2 million or 17 percent for the prior year period. The revenue decrease was the result of lower pricing experienced during the first three months of 2010 as well as reduced activity in south-eastern Alberta for related services. Compared to 2009, pricing was down as much as 20 percent for certain products.

Oil Sands' revenue decreased by $2.8 million or 32 percent as it generated $6.0 million in revenue or 15 percent of the Trust's total revenue, compared to $8.8 million or 19 percent for the prior year period. Consistent with the other reporting segments, revenues were negatively impacted by lower pricing. Compared to 2009, pricing was down as much as 30 percent for certain products. Additionally, certain oil sand related projects were downsized by a few of Peak's key customers due to economic and capital constraints. This decrease in activity adversely impacted the utilization of Camps and Catering within the Oil Sands region.

Water Technology revenue decreased by $0.3 million or 13 percent as it generated $1.9 million in revenue or 5 percent of the Trust's total revenue, compared to $2.2 million or 5 percent for the same period of 2009.

OPERATING EXPENSES

Three months ended March 31 (in thousands of CAD, except as otherwise noted)	2010	2009	$ Change	% Change
		(restated)		
Operating expenses	24,206	26,807	2,601	10
As a percentage of total revenue	62%	56%		

For the three months ended March 31, 2010, operating expenses were lower than the same prior year period by $2.6 million or 10 percent. As a percentage of revenue, operating expenses were 62 percent compared to the prior year period at 56 percent.

The primary drivers impacting operating expenses as a percentage of revenue were:

- pricing discounts which increased significantly compared to the first quarter of 2009, as a direct reflection of lower oil and natural gas industry activity levels. Pricing discounts did have a positive impact on equipment utilization, however the discounts were more significant than operating cost reductions in specific product lines, adversely impacting operating margins;
- Peak's Drilling Services (solids control) activity levels increased in the US, however most of this activity involved projects where Peak provided direct personnel as part of the integrated solution which has lower overall operating margins;
- an increase in employee compensation costs, as a percentage of revenue. Commencing in early 2009 in light of materially lower activity levels, management implemented a significant employee restructuring plan which included the reduction in permanent employee positions, salary and wage reductions and suspension of certain employee benefit programs. Although this significantly reduced employee compensation costs, it did not completely offset the decrease in revenue due to pricing pressure resulting in the increase as a percentage of revenue;
- an increase in repairs and maintenance ("R&M") costs, as a percentage of revenue, as equipment utilization increased for the period; and
- a decrease in light truck operating costs, as management significantly reduced the size of its light truck fleet due to lower activity levels and employees who require vehicles.

GENERAL AND ADMINISTRATIVE EXPENSES

Three months ended March 31 (in thousands of CAD, except as otherwise noted)	2010	2009	$ Change	% Change
		(restated)		
General and administrative expenses	8,217	8,444	227	3
As a percentage of total revenue	21%	18%		

For the first quarter of 2010, general and administrative expenses ("G&A") were $0.2 million or 3 percent lower than the same prior year period. As a percentage of revenue, G&A increased to 21 percent compared to 18 percent in prior year. The primary factors impacting G&A were:

- a $0.2 million increase in amortization of long-term debt financing costs;
- a $0.2 million decrease in employee compensation costs reflecting restructuring initiatives as detailed in the "Results of Operations – Operating Expenses" section of this MD&A.

This also includes a decrease in severance costs that were incurred in the prior year period associated with the implementation of the restructuring plan commencing in February 2009; and

- a $0.4 million decrease in communication costs resulting from a review and restructuring of Peak's communication program and associated contracts.

FOREIGN EXCHANGE LOSS (GAIN)

Three months ended March 31 (in thousands of CAD, except as otherwise noted)	2010	2009	$ Change	% Change
Foreign exchange loss (gain)	95	(95)	(190)	-200

For the three months ended March 31, 2010, the Trust realized a foreign exchange loss of $0.1 million. The loss primarily relates to the change in value, measured in Canadian dollars, of working capital within Peak's US operations due to the appreciation in value of the Canadian dollar against the American dollar.

EBITDA

Three months ended March 31 (in thousands of CAD, except as otherwise noted)	2010	2009	$ Change	% Change
		(restated)		
EBITDA(1)	6,427	12,309	(5,882)	-48
Per unit – diluted	0.07	0.25	(0.18)	-72
As a percentage of total revenue	17%	26%		

EBITDA(1) decreased $5.9 million or 48 percent to $6.4 million for the three months ended March 31, 2010. EBITDA as a percentage of revenue, was 17 percent for the current quarter as compared to 26 percent for the prior year quarter. The primary drivers of the quarter-over-quarter decrease are detailed above.

As discussed in the "Results of Operations – Revenue" section of this MD&A, price discounts has had a dramatic negative impact on revenue and consequently EBITDA. Management estimates that if pricing in the current quarter was at first quarter 2009 levels, the Trust would have generated approximately $19.6 million in EBITDA, representing an increase of 59 percent over the first quarter of 2009. This demonstrates the success of the cost reduction achieved quarter-over-quarter, unfortunately significant negative pricing pressure has more than offset cost savings achieved on a margin basis.

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

UNIT-BASED COMPENSATION EXPENSE

Three months ended March 31 (in thousands of CAD, except as otherwise noted)	2010	2009	$ Change	% Change
Unit-based compensation expense	58	–	(58)	N/C

For the three months ended March 31, 2010, the unit-based compensation expense recognized was $58,000. This non-cash expense was the result of Peak adopting a Trust Unit option plan on June 3, 2009, and subsequently issuing 1.7 million options with an exercise price of $1.67 per Unit (the market Unit price at the issuance date was $0.80). The option plan replaced the former market based incentive plan. The expense recognized was based on the Black-Scholes option pricing model for the options issued during the period.

DEPRECIATION AND AMORTIZATION EXPENSES

Three months ended March 31 (in thousands of CAD, except as otherwise noted)	2010	2009	$ Change	% Change
		(restated)		
Depreciation and amortization expenses	3,748	3,743	(5)	–

For the three months ended March 31, 2010, depreciation and amortization expenses were consistent with the prior year period.

INTEREST EXPENSE ON LONG-TERM DEBT

Three months ended March 31 (in thousands of CAD, except as otherwise noted)	2010	2009	$ Change	% Change
Interest expense on long-term debt	1,265	1,133	(132)	-12

Interest expense on long-term debt increased to $1.3 million for the three months ended March 31, 2010, representing an increase of $0.1 million or 12 percent over the first quarter of 2009. The interest cost (expressed as a percentage of the average long-term debt outstanding during the period) was 9.4 percent for the first quarter of 2010, compared to 5.4 percent for the same period in 2009. As detailed in the "Capital Resources – Long-term Debt" section of this MD&A, the long-term debt facilities were amended and included higher interest rates, which contributed to the overall increased rate.

Of the debt facilities outstanding at March 31, 2010, $30.0 million is at a fixed rate of 7.8 percent, $10.0 million is at a fixed rate of 8.7 percent with the remaining $10.0 million at a floating rate tied to the bank prime lending rate.

LOSS ON SALE OF EQUIPMENT

Three months ended March 31 (in thousands of CAD, except as otherwise noted)	2010	2009	$ Change	% Change
		(restated)		
Loss on sale of equipment	3,057	23	(3,034)	-13,191

For the three months ended March 31, 2010, the loss on sale of equipment amounted to $3.1 million compared to a loss of $23,000 for the same prior year period. Included in the current quarter loss was the disposition of a portion of Peak's well-site accommodation fleet. 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 is disposed of with the proceeds being used to reduce indebtedness outstanding.

PROVISION FOR INCOME TAXES

Three months ended March 31 (in thousands of CAD, except as otherwise noted)	2010	2009	$ Change	% Change
		(restated)		
Provision for income taxes (recovery)	(483)	2,026	2,509	124
Effective income tax rate	28%	27%		

The current tax expense of $2,000 and future tax recovery of $0.5 million, resulted in a net income tax recovery of $0.5 million and an effective income tax rate of 28 percent for the three months ended March 31, 2010.

The effective income tax rate did not differ from the statutory corporate rate of 28 percent. 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.

NET INCOME (LOSS) FROM CONTINUING OPERATIONS

Three months ended March 31 (in thousands of CAD, except as otherwise noted)	2010	2009	$ Change	% Change
		(restated)		
Net income (loss) from continuing operations	(1,218)	5,384	(6,602)	-123
Earnings (loss) per Unit – diluted	(0.01)	0.11	(0.12)	-109

For the three months ended March 31, 2010, the net income from continuing operations decreased 123 percent to a loss of $1.2 million (loss of $0.01 per Unit diluted) compared to a net income from continuing operations of $5.4 million ($0.11 per Unit diluted) for the same prior year period.

NET INCOME FROM DISCONTINUED OPERATIONS

Three months ended March 31 (in thousands of CAD, except as otherwise noted)	2010	2009	$ Change	% Change
		(restated)		
Net income from discontinued operations	–	37	-37	-100
Earnings per Unit – diluted	–	–	–	–

For the three months ended March 31, 2010, net income from discontinued operations decreased 100 percent to nil ($0.00 per Unit diluted) compared to $37,000 ($0.00 per Unit diluted) for the same 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. The 2009 comparative financial results 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)

Three months ended March 31 (in thousands of CAD, except as otherwise noted)	2010	2009	$ Change	% Change
Net income (loss) and comprehensive income (loss)	(1,218)	5,421	(6,639)	-122
Earnings (loss) per Unit – diluted	(0.01)	0.11	(0.12)	-109

For the three months ended March 31, 2010, the net income and comprehensive income decreased 122 percent to a loss of $1.2 million (a loss of $0.01 per Unit diluted) compared to a net income and comprehensive income of $5.4 million ($0.11 per Unit diluted) for the same prior year period.

SUMMARY OF QUARTERLY RESULTS

(in thousands of CAD, except as otherwise noted)	Q1 - 2010	Q2 - 2009	Q3 - 2009	Q4 - 2009	Total
		(restated)	*(restated)*	*(restated)*	
Revenue	38,945	21,077	21,107	25,513	106,642
Net loss from continuing operations	(1,218)	(5,383)	(4,284)	(8,571)	(19,456)
Loss per Unit – basic and diluted	(0.01)	(0.11)	(0.09)	(0.18)	(0.39)
Net loss from discontinued operations	–	(10,247)	(411)	–	(10,658)
Loss per Unit – basic and diluted	–	(0.21)	(0.01)	–	(0.22)
Net loss and comprehensive loss	(1,218)	(15,630)	(4,695)	(8,571)	(30,114)
Loss per Unit – basic and diluted	(0.01)	(0.32)	(0.10)	(0.18)	(0.61)

(in thousands of CAD, except as otherwise noted)	Q1 - 2009	Q2 - 2008	Q3 - 2008	Q4 - 2008	Total
	(restated)	*(restated)*	*(restated)*	*(restated)*	
Revenue	47,465	25,889	39,465	44,533	157,352
Net income (loss) from continuing operations	5,384	(7,661)	1,721	(419)	(975)
Earnings (loss) per Unit – basic and diluted	0.11	(0.16)	0.04	(0.01)	(0.02)
Net income (loss) from discontinued operations	38	(1,037)	(387)	(176)	(1,562)
Earnings (loss) per Unit – basic and diluted	0.00	(0.02)	(0.01)	–	(0.03)
Net income (loss) and comprehensive income (loss)	5,421	(8,697)	1,334	(595)	(2,537)
Earnings (loss) per Unit – basic and diluted	0.11	(0.18)	0.03	(0.01)	(0.05)

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.

DISTRIBUTABLE CASH

The Trust has not declared any distributions in fiscal 2008, 2009 or 2010 and it does not have any intentions of making any distributions in the future. Furthermore, recent long-term debt agreement amendments prohibit the Trust from declaring any distributions without lender approval.

Subsequent to ceasing distributions, Peak internally reorganized its legal structure that effectively resulted in the Trust having the equivalent tax attributes of a corporation. Management intends on converting the Trust to a corporation when the timing of the associated conversion expenditure is feasible.

LIQUIDITY

OPERATING ACTIVITIES

For the first quarter of 2010, cash used in operating activities was $2.2 million or $0.03 per Unit diluted (2009 – cash provided by operating activities $5.2 million or $0.11 per Unit diluted). Net cash provided by operating activities is heavily dependent on the level of oil and natural gas industry activity and Peak's associated financial performance. Significant declines in industry activity, such as experienced in fiscal 2009, will have an adverse affect on cash provided from operating activities. Given the high fixed cost structure necessary to conduct Peak's business, the negative affect will be significant. Funds from operations[1] were $5.3 million or $0.06 per Unit diluted (2009 – $10.9 million or $0.22 per Unit diluted). The decrease in funds from operations was directly attributable to the increase in pricing pressure experienced by all reporting segments.

INVESTING ACTIVITIES

Net cash provided by investing activities for the first quarter of 2010 was $0.6 million (2009 – $2.0 million). The activities were the result of:

- $0.9 million of gross equipment purchases and a recovery of $0.4 million on net equipment purchases, including proceeds on sale of equipment of $1.3 million. Further information regarding the capital additions is detailed in the "Capital Resources – Capital Expenditures" section of this MD&A; and
- a $0.2 million increase in non-cash working capital associated with the purchase of equipment.

FINANCING ACTIVITIES

Net cash provided by financing activities for the three months ended March 31, 2010, was $11.1 million (2009 – net cash used of $9.0 million). The activities were the result of:

- the net repayment of $1.0 million on Peak's bridge loan facility;
- the net repayment on long-term debt of $10.9 million towards the Trust's syndicated extendable term revolving acquisition loan facility;
- the payment of $0.7 million in costs associated with the renegotiation of the Trust's long-term debt agreements;
- gross proceeds of $24.8 million from the issuance of 124.0 million Trust Units; and
- the payment of $1.2 million in costs associated with the issuance of Trust Units.

Additional information regarding Peak's debt facilities is provided in the "Capital Resources – Long-term Debt" section of this MD&A.

WORKING CAPITAL

The Trust had net working capital[1] of $27.8 million at March 31, 2010, compared to $10.2 million at December 31, 2009. The Trust's current ratio[1] trended up over the quarter to 2.31 to 1.00 at March 31, 2010, from 1.58 to 1.00 at December 31, 2009. The significant decrease in overall oil and natural gas industry activity and Peak's associated weaker financial performance has and will present additional challenges for Peak in managing its working capital. During the first quarter of 2010, the Trust was in breach of its financial covenants under its long-term debt agreements (refer to the

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

"Capital Resources – Long-term Debt" section of this MD&A) and although Peak was successful in obtaining waivers and subsequently amended agreements from its lenders, Peak required a bridge loan to meet short-term working capital requirements during the first quarter of 2010.

The Trust utilized $2.0 million of the $3.0 million available under the bridge loan facility. The bridge loan was a senior secured non-revolving term loan that ranked prior to all senior debt and other security of the Trust. The terms included an interest rate of 18 percent per annum on amounts drawn from escrow, an interest rate of 7.5 percent per annum on amounts held in escrow, a 3.5 percent draw down fee and a commitment fee of $45,000. On February 16, 2010, the Trust repaid and retired the bridge loan.

On January 28, 2010, Peak successfully renegotiated its long-term debt facilities. Part of the amended facilities includes a $15.0 million revolving credit facility with a maturity date of February 28, 2011, to meet near-term working capital needs. Working capital requirements vary throughout the year. Working capital needs typically grow through the fourth and first quarters of the year when industry activity levels are typically stronger. Historically, Peak has relied on a revolving credit facility to meet the variable nature of its working capital needs. If the revolving credit facility is not renewed or restricted due to a covenant breach, it will adversely impact the Trust's liquidity and would limit the ability of the Trust to meet its obligations as they come due. This could ultimately impact the Trust's ability to continue as a going concern.

CONTRACTUAL OBLIGATIONS

The following are the Trust's contractual obligations as at March 31, 2010:

(in thousands of CAD)	Less than one year	1 to 3 years	4 to 5 years	After 5 years	Total
Long-term debt	–	49,071	–	–	49,071
Operating leases	13,812	23,265	19,264	32,182	88,523
Total contractual obligations	13,812	72,336	19,264	32,182	137,594

The Trust intends to fund its operating lease contractual obligations through cash flow generated by operating activities. Although Peak was successful in amending its debt facilities, the current facilities have limited availability for future growth initiatives (refer to the "Capital Resources" section of this MD&A for potential restrictions on debt and equity financing).

CAPITAL RESOURCES

CAPITAL EXPENDITURES

During the first quarter of 2010, the Trust expended a total of $0.9 million on gross tangible asset purchases and had a recovery of $0.4 million on net tangible asset purchases (includes purchase of equipment, net of proceeds on sale of equipment) compared to $1.0 million and $0.7 million (net purchases), respectively, for the same prior year period.

By reporting segment, the expenditures were:

(in thousands of CAD)	Drilling Services	Production Services	Oil Sands	Water Technology	Total
Growth	19	375	–	–	394
Maintenance	220	80	–	–	300
Infrastructure					238
	239	455	–	–	932
Proceeds on sale of equipment					(1,332)
Net tangible asset additions					(400)

Peak's capital expenditure program for fiscal 2010 will be relatively consistent with 2009, as expected oil and natural gas industry activity levels do not warrant and current debt facility levels will limit the Trust from materially increasing it's capital expenditure program in the near-term. The Trust plans to primarily use cash generated from operating activities to fund its capital expenditures for 2010.

LONG-TERM DEBT

The Trust's long-term debt (including current portion) decreased to $49.1 million at March 31, 2010, as compared to $60.5 million at December 31, 2009. Funded debt[(1)] was $39.6 million at March 31, 2010, as compared to $60.5 million at December 31, 2009. Meanwhile, net debt[(1)] was $21.2 million at March 31, 2010, as compared to $50.4 million at December 31, 2009. The long-term debt to equity ratio[(1)] decreased to 0.28 to 1.00 at March 31, 2010 (December 31, 2009 – 0.40 to 1.00).

The negative economic environment and its impact on the financial markets, lending institutions, hydrocarbon commodity prices, and oil and natural gas industry activity levels is providing a very challenging operating environment for the oil and natural gas services industry. Management has taken several steps to proactively manage its cash flow and related funded debt level through these uncertain times. As previously discussed, Peak ceased making distributions to Unitholders to focus cash flows towards debt repayment. Furthermore, during 2009 management implemented a significant restructuring plan which has reduced Peak's cost structure to be consumerate with activity and pricing levels, has a minimal capital expenditure program and is aggressively pursuing its asset rationalization program, with a primary focus on further reducing the funded debt outstanding, in light of expected near-term lower industry activity levels.

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

As at December 31, 2009, and through a portion of the first quarter of 2010, the Trust was in breach of the funded net debt to 12 month trailing EBITDA and current ratio financial covenants under its long-term debt agreements. The financial covenant breaches gave the lenders the right 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 lenders agreed to waive all existing defaults and events of default under the long-term debt agreements and during the first quarter of 2010 the lenders agreed to amend their respective agreements, subject to certain conditions, which as of March 30, 2010, have been satisfied. As at March 31, 2010, the Trust was in compliance with all of its lender covenants.

The Trust has forecasted its financial results using its best estimates of the oil and natural gas industry activity levels and its associated operating conditions. Based on its forecast and restructured capital resources, Peak believes it will be able to continue as a going concern. The Trust's continuation as a going concern is ultimately dependent upon its future financial performance, which will be affected by general economic conditions, government legislation, hydrocarbon commodity prices, oil and natural gas industry activity levels, availability of debt and/or equity to finance operations, execution of management's business plan and other factors, many of which are beyond the Trust's control. There are no absolute assurances that the Trust will be able to continue as a going concern. Furthermore, it should be noted that given the current economic environment and the impact on oil and natural gas industry activity and forecasted results that the Trust would likely experience significant difficulty expanding its funded debt materially above current levels and if required for operations this would adversely impact the Trust's liquidity, capital resources and going concern assumption.

The Trust's available and utilized long-term debt facilities consist of:

- Pursuant to an agreement dated August 27, 2008, renewed May 26, 2009, amended October 16, 2009, and January 28, 2010, the Trust's has a senior secured $10.0 million term loan facility with a maturity date of August 15, 2012, and a senior secured $15.0 million revolving credit facility (nil drawn at March 31, 2010) with a maturity date of February 28, 2011. Both facilities have no set principal payments during the term, bearing interest at bank prime rate plus 5.0 percent.

- Pursuant to an agreement dated August 31, 2005, amended November 6, 2009, and January 28, 2010, the Trust has a senior secured term debt facility of $30.0 million with a maturity of August 31, 2012, and terms of no set principal payments during the seven year term bearing interest at 7.8 percent.
- Pursuant to an agreement dated June 26, 2006, amended November 6, 2009 and January 28, 2010, the Trust has a senior secured term debt facility of $10.0 million with a maturity of June 26, 2013, and terms of no set principal payments during the seven year term bearing interest at 8.7 percent.

Financial covenants within the long-term debt agreements have also been amended. The funded net debt to 12 month trailing EBITDA ratio has been waived until June 30, 2011 and the fixed charge coverage ratio which requires the Trust to maintain a specified cash flow to principal debt repayment ratio has been adjusted to be not less than 2.50 to 1.00, except during the period April 1, 2010 to February 28, 2011, where the ratio varies between 0.75 to 1.00 and 2.25 to 1.00.

UNITHOLDERS' EQUITY

Unitholders' equity increased $22.4 million to $173.2 million at March 31, 2010, from $150.7 million at December 31, 2009. The increase over the prior year-end was the result of a net loss of $1.2 million incurred and 124.0 million Trust Units issued for net proceeds of $23.6 million.

On February 16, 2010, the Trust closed a $16.0 million private placement financing for 80.0 million Trust Units at $0.20 per Unit. This transaction involved related parties, see "Transactions with Related Parties" in this MD&A for details. Net proceeds of the private placement financing were first used to repay and retire the bridge loan of which $2.0 million was outstanding on closing, with the residual proceeds being used to reduce the syndicated extendable term revolving acquisition loan facility amount outstanding. Management recognized that the private placement financing was very dilutive to existing Unitholders and therefore believed a follow-on rights offering was the most appropriate vehicle to provide existing Unitholders with the opportunity to participate in the realignment of the Trust's capital resources. On March 30, 2010, the Trust closed the rights offering financing generating $8.8 million in proceeds by issuing 44.0 million Trust Units at $0.20 per Unit. Unitholders who participated in the private placement were not permitted to participate in the rights offering. Net proceeds of the rights offering financing, will be used for general purposes of the Trust, which may include prepayment of existing secured indebtedness of the Trust and/or to fund future growth opportunities.

The Trust relied on the Toronto Stock Exchange's ("TSX") financial hardship exemption rules to obtain all necessary regulatory approvals to complete the equity financing. Reliance on the financial hardship exemption rules automatically result in a TSX de-listing review to confirm that the Trust continues to meet TSX listing requirements. On January 29, 2010, the Trust received notice that the TSX is reviewing the Trust's eligibility for continued listing on the TSX pursuant to Part VII of the TSX

Company Manual. The Trust is being reviewed under the remedial review process and has been granted 120 days to comply with all requirements for continued listing. If the Trust cannot meet all requirements on or before May 28, 2010, the Trust will be de-listed 30 days from such date. The Trust believes that it complies with applicable TSX listing requirements, however no absolute assurances can be made in this regard. If the Trust's securities are de-listed from the TSX it could adversely impact the Trust's future access to equity capital.

Peak had 172,383,175 Trust Units outstanding at March 31, 2010, and 48,398,097 Trust Units at December 31, 2009. As of May 11, 2010, the number of Trust Units outstanding were 172,383,175.

OFF-BALANCE SHEET ARRANGEMENTS

At March 31, 2010, 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 EVENT

TRUST UNIT OPTION GRANT

On April 21, 2010 the Trust granted an additional 2.4 million options with an exercise price of $0.23 per unit to its officers and key employees under the Trust's existing Trust Unit option plan. One third of these options vested immediately, one third will vest one year from the grant date, and one third will vest two years from grant date.

TRANSACTIONS WITH RELATED PARTIES

The private placement as disclosed in the "Capital Resources – Unitholders' Equity" section of this MD&A included certain Peak Energy Services Ltd. ("PESL") Board of Director members who are related parties to the Trust. The private placement was considered by PESL's Board of Directors, exclusive of the related Board of Director members to be reasonable given the circumstances and approved the transaction. This transaction was completed on equivalent terms as the equity rights offering completed during the quarter.

At March 31, 2010, the Trust had one related party agreement that it considers to be made at fair market values. This agreement is an office space sublease ("Sublease") with Altus Energy Services Ltd. ("Altus"). The Sublease is for a five year term, commencing September 1, 2007, for a portion of Peak's head office space that it does not currently require. The terms of the Sublease are structured on a 100 percent cost recovery basis, as the terms of Peak's lease ("Lease") restrict Peak from profiting through subleasing and the Lease rate was significantly below current market rates for equivalent space. Two members of PESL's Board of Directors are also members of Altus' Board of

Directors. The Sublease was considered by management and PESL's Board of Directors, exclusive of the two related Board members, to be reasonable as the Sublease rate agreed to is the maximum permitted by the Lease.

PROPOSED TRANSACTIONS

Currently, there are no proposed material transactions pending as of the date of this MD&A.

CRITICAL ACCOUNTING ESTIMATES

This MD&A of Peak's financial condition, results of operations and cash flows is based on its interim consolidated financial statements which are prepared in accordance with Canadian GAAP. The Trust's significant accounting policies are described in the consolidated financial statements of the Trust's 2009 Annual Report. In preparation of the Trust's interim consolidated financial statements, management is required to make estimates and assumptions based on information available as of the date of the preparation of the interim 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 in the MD&A of the Trust's 2009 Annual Report.

FINANCIAL AND OTHER INSTRUMENTS

The Trust's financial and other instruments have not changed materially from what was disclosed in the MD&A of the Trust's 2009 Annual Report with the exception of the carrying and estimated fair value of the Trust's long-term debt. At March 31, 2010, the estimated fair value of the Trust's long-term debt was $49.4 million.

CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to management, including the 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 by management under the supervision of the CEO and the

CFO. Based on this evaluation, the CEO and the CFO have concluded that, as of March 31, 2010, 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 CONTROLS 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 of Peak's ICFR was effective as of March 31, 2010. Management confirms that there have not been any changes to the ICFR during the three months ended March 31, 2010, that have materially affected, or are reasonably likely to materially affect, the ICFR.

NON-GAAP MEASURES AND RECONCILIATIONS

EBITDA

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

The following is a reconciliation of EBITDA to net income (loss) from continuing operations:

	Three months ended March 31	
(in thousands of CAD)	2010	2009
EBITDA	6,427	12,309
Less:		
Unit-based compensation	58	–
Depreciation and amortization	3,748	3,743
Interest on long-term debt	1,265	1,133
Loss on sale of equipment	3,057	23
	(1,701)	7,410
Provision for income taxes (reduction)	(483)	2,026
Net income (loss) from continuing operations	(1,218)	5,384

FUNDS FROM OPERATIONS

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

The following is a reconciliation of funds from operations to cash flow from operating activities:

(in thousands of CAD)	March 31, 2010	December 31, 2009
Funds from operations	5,343	10,881
Non-cash changes in working capital	(7,563)	(8,455)
Funds from discontinued operations	–	2,811
Cash flow from operating activities	(2,220)	5,237

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

(in thousands of CAD)	March 31, 2010	December 31, 2009
Current assets	49,086	27,717
Current liabilities	(21,240)	(28,392)
Current portion of long-term debt	–	(10,856)
Net current liabilities	(21,240)	(17,536)
Working capital	27,846	10,181
Current ratio	2.31	1.58

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)	March 31, 2010	December 31, 2009
Net debt	21,225	50,367
Less: cash and cash equivalents	9,483	–
	11,742	50,367
Add: working capital	27,846	10,181
Funded debt	39,588	60,548
Add: cash and cash equivalents	9,483	–
Total long-term debt (including current portion of long-term debt)	49,071	60,548

LONG-TERM DEBT TO EQUITY RATIO

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

The inputs for the long-term debt to equity ratio is as follows:

(in thousands of CAD)	March 31, 2010	December 31, 2009
Current portion of long-term debt	–	10,856
Long-term debt	49,071	49,692
Total long-term debt	49,071	60,548
Unitholders' equity	173,176	150,713
Long-term debt to equity ratio	0.28	0.40

FUTURE ACCOUNTING STANDARDS

The Canadian Accounting Standards Board ("AcSB") requires 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 future interim and annual consolidated financial statements in accordance with IFRS including information for the comparative 2010 period. The Trust is in the process of preparing itself to present its financial statements under IFRS and does not intend to adopt IFRS early. The Trust's consolidated financial performance and financial position as disclosed in the Trust's current Canadian GAAP financial statements may be significantly different when presented in accordance with IFRS.

The Trust commenced its IFRS transition project in late 2008. The project has been broken down into the following phases: Impact Assessment; Plan and Scope; Design and Build; and Implement. The Impact Assessment was completed by an independent accounting firm and involved a high level analysis of the potential impacts that IFRS will have on the Trust's current financial reporting. The analysis provided guidance as to the areas of significant difference, potential impacts and challenges to implementation. Outside of the actual work required to transition to IFRS, the major challenge for Peak is retaining the dedicated resources and incurring the associated costs required to complete the transition to IFRS in the required time frame. The Trust's recent weak financial performance and its negative impact on resource availability has placed limitations on the progress of its IFRS transition project. Management believes it will be able to successfully transition to IFRS in the required time frame, however there is a risk that the Trust will not be able to meet the deadline if resources are further constrained.

With the Plan and Scope phase completed in 2009, Peak is now in the Design and Build phase of the project. Peak has two dedicated full-time internal resources and support from an independent accounting firm working on this phase. Areas that are expected to have a high or medium impact in terms of effort required and/or potential numerical change include: property and equipment;

leases; impairment of assets; intangible assets; financial instrument recognition, measurement and presentation; revenue; and presentation of financial statements.

As part of the Design and Build phase, the Trust is required to make accounting policy choices and the first-time adoption under IFRS allows optional and mandatory exceptions. Peak has prepared draft policy choices and financial statement formats that will be presented and vetted with the Trust's external auditors and Audit Committee. Peak plans on quantifying the impact of the transition to IFRS to its consolidated financial statements during 2010. Currently, no impacts have been fully quantified or determined. The transition to IFRS will also impact DC&P, ICFR, processes and systems.

The Trust will be required to adopt the new Canadian accounting standards for business combinations and consolidated financial statements which will harmonize the Canadian accounting standards with IFRS. These standards are effective beginning January 1, 2011, and will be applied on a prospective basis at that time.

OUTLOOK

The industry has experienced a significant ramp up in activity for the first quarter of 2010 with Canadian drilling rig utilization reaching a high water mark of approximately 70 percent in February. While the increased level of drilling activity during the first quarter was not unexpected, activity has been higher than what Peak had originally forecast, year-to-date. As expected, Peak is currently experiencing a traditional slow second quarter and anticipates to see a ramp-up in activity of some magnitude during the second half of 2010. Although, industry consensus for wells to be drilled in the WCSB ranges from 8,500 wells to 12,000 wells for 2010, Peak is still comfortable with its forecast of 9,500 wells for 2010 which would represent an increase in activity of approximately 12 percent over 2009.

Peak expects to see the continuation of more activity in oil focused resource plays, such as the Cardium (Alberta), Bakken (Saskatchewan and North Dakota) and the Oil Sands (Alberta) regions as confidence grows that oil prices will be sustainable above $75 per barrel. The number of opportunities to bid on project work within these regions is starting to increase fairly significantly. Peak has taken advantage of these more active oil related areas by re-deploying assets into these oil focused regions.

The propensity to continue to drill prolific shale natural gas resource plays throughout certain areas of North America has facilitated market share growth into regions for Peak, as evidenced by our significant growth in market share in the US where our revenue almost doubled quarter-over-quarter. The majority of this growth was realized in the Marcellus shale region of Pennsylvania and other US regions are currently being explored as possible growth areas for several of Peak's product offerings during the current fiscal year. With this expected growth profile and our current run rate, Peak expects to see our US operation to more than double in size, to more than $20.0 million in revenue for 2010 as compared to 2009.

Despite the continued near-term uncertainty in terms of activity for the second and third quarters of 2010, management remains bullish on the longer term fundamentals of our industry. With time, we believe that commodity prices will increase for both oil and natural gas which will result in higher levels of activity throughout North America, including the more conventional plays that currently remain very stagnant.

With Peak's recently completed equity financing of $23.6 million, combined with our more flexible debt structure and re-negotiated bank covenants, management believes that Peak is in a much improved position of strength in that it has satisfied all of the requirements of the Trust's senior lenders and improved its financial position. The Trust's operating line is currently undrawn putting Peak in a net positive cash position. Post closing of the equity financing, Peak has a net debt of approximately $21.2 million. This debt level is backed by a tangible asset base of approximately $198.5 million. The reduced and more flexible debt structure will allow management to increase its focus on looking for further opportunities of growth including the addition of new assets in select products offerings and regions along with the continued re-deployment of under-utilized assets to regions of higher levels of activity.

Financial discipline remains at the forefront of priorities for the management of the Trust during 2010. Peak continues to look for opportunities to further reduce its infrastructure cost to augment the significant reductions already achieved over the past 15 months. Management is focused on formulating a sound pricing strategy, whereby increased pricing will allow the Trust to take advantage of the significant leverage that it will enjoy when the combination of reduced costs and higher pricing kicks in. We are seeing some indications, in certain markets, that we may have some opportunities in terms of pricing traction in the second half of this year.

Management is cautiously optimistic at this time that both the global economy and the oil and natural gas industry are starting to show some signs of a possible recovery. We believe that at the very least we are on the bottom of this cycle and that we now have the resources and opportunities to once again prosper and grow as the climate in our industry continues to improve.

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

Curtis W. Whitteron, CET
President and Chief Executive Officer
Peak Energy Services Ltd.

This page has been intentionally left blank

FIRST QUARTER 2010

FINANCIAL STATEMENTS

This page has been intentionally left blank

CONSOLIDATED BALANCE SHEETS

(in thousands of CAD) (unaudited)	March 31, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,483	$ –
Accounts receivable	35,550	23,394
Income taxes recoverable	475	726
Prepaid expenses	2,549	2,172
Inventory	1,029	1,425
	49,086	27,717
Property and equipment	198,481	205,524
Intangibles	1,782	1,943
	$ 249,349	$ 235,184
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 21,039	$ 16,335
Bridge loan (note 4)	–	1,000
Current portion of long-term debt (note 6)	–	10,856
Current portion of deferred lease inducements	201	201
	21,240	28,392
Long-term debt (note 6)	49,071	49,692
Deferred lease inducements	1,672	1,723
Future income taxes	4,190	4,664
Unitholders' equity:		
Trust Unit capital (note 7)	250,970	227,347
Contributed surplus (note 7)	1,912	1,854
Deficit	(79,706)	(78,488)
	173,176	150,713
Going concern (note 2)		
	$ 249,349	$ 235,184

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

Three months ended March 31 (in thousands of CAD, except per Unit amounts) (unaudited)	2010	2009
		(restated)
Revenue	$ 38,945	$ 47,465
Expenses:		
Operating	24,206	26,807
General and administrative	8,217	8,444
Unit-based compensation (note 7(d))	58	–
Depreciation and amortization	3,748	3,743
Interest on long-term debt	1,265	1,133
Foreign exchange loss (gain)	95	(95)
	37,589	40,032
Income before other items from continuing operations	1,356	7,433
Other items:		
Loss on sale of equipment	3,057	23
	3,057	23
Income (loss) before income taxes from continuing operations	(1,701)	7,410
Provision for income taxes:		
Current	2	5
Future (reduction)	(485)	2,021
	(483)	2,026
Net income (loss) from continuing operations	(1,218)	5,384
Net income from discontinued operations (note 13)	–	37
Net income (loss) and comprehensive income (loss)	(1,218)	5,421
Deficit, beginning of period	(78,488)	(55,013)
Deficit, end of period	$ (79,706)	$ (49,592)
Earnings (loss) per Unit from continuing operations: (note 8)		
Basic	$ (0.01)	$ 0.11
Diluted	$ (0.01)	$ 0.11
Earnings per Unit from discontinued operations: (note 8)		
Basic	$ –	$ –
Diluted	$ –	$ –
Earnings (loss) per Unit: (note 8)		
Basic	$ (0.01)	$ 0.11
Diluted	$ (0.01)	$ 0.11

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Three months ended March 31 (in thousands of CAD) (unaudited)	2010	2009
		(restated)
Operating activities:		
Net income (loss) from continuing operations	$ (1,218)	$ 5,384
Add (deduct) items not affecting cash:		
Unit-based compensation	58	–
Depreciation and amortization	3,748	3,743
Amortization of long-term debt financing fees	72	–
Unrealized foreign exchange (gain) loss	111	(290)
Loss on sale of equipment	3,057	23
Future income taxes (reduction)	(485)	2,021
	5,343	10,881
Changes in non-cash working capital items (note 9(a))	(7,563)	(8,455)
	(2,220)	2,426
Discontinued operations: (note 13)		
Funds provided by discontinued operations	–	620
Changes of non-cash working capital items of discontinued operations	–	2,191
	–	2,811
	(2,220)	5,237
Investing activities:		
Purchase of equipment	(932)	(972)
Proceeds on sale of equipment	1,332	310
Proceeds on sale of property held for sale	–	3,580
	400	2,918
Changes in non-cash working capital items (note 9(b))	249	(852)
	649	2,066
Discontinued operations: (note 13)		
Funds used in discontinued operations	–	(97)
	–	(97)
	649	1,969
Financing activities:		
Increase in bridge loan	1,000	–
Repayment of bridge loan	(2,000)	–
Repayment of long-term debt	(10,856)	(9,017)
Long-term debt financing fees	(694)	–
Issuance of Trust Units	24,797	–
Trust Units issue costs	(1,175)	–
	11,072	(9,017)
Foreign exchange loss (gain) on cash held in foreign currency	(18)	(38)
Increase (decrease) in cash and cash equivalents	9,483	(1,849)
Cash and cash equivalents, beginning of period	–	8,565
Cash and cash equivalents, end of period	$ 9,483	$ 6,716

The accompanying notes are an integral part of the consolidated financial statements.

Supplemental information (note 10)

The unaudited interim consolidated financial statements of Peak Energy Services Trust (the "Trust") have been prepared by management in accordance with accounting principles generally accepted in Canada. These interim consolidated financial statements have been prepared following the same accounting policies and methods of application as the consolidated financial statements of the Trust for the fiscal year ended December 31, 2009. The disclosures provided herein are incremental to those included within the Trust's annual consolidated financial statements. The interim consolidated financial statements and the related notes should be read in conjunction with the consolidated financial statements and the related note disclosure in the Trust's annual report for the year ended December 31, 2009.

Accounting measurements at interim dates inherently involve greater reliance on estimates than at year-end and the results of operations for the interim periods shown in these financial statements are not necessarily indicative of results to be expected for the fiscal year. In the opinion of management, the accompanying interim consolidated financial statements include all adjustments necessary to present fairly the consolidated result of the Trust's operations and cash flows for the three months ended March 31, 2010 and 2009.

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

1. NATURE OF OPERATIONS AND CORPORATE STRUCTURE

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

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

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

2. GOING CONCERN

These consolidated financial statements have been prepared on the basis that the Trust will continue as a going concern, which assumes that the Trust will be able to realize on its assets and satisfy its liabilities in the normal course of business for the foreseeable future.

In recent years, the Trust has incurred losses of $23,475 and $4,827 for fiscal 2009 and 2008, respectively and has a deficit of $79,706 at March 31, 2010. Although the Trust has historically generated positive cash flow from operations over these same fiscal years, it has decreased significantly on an absolute and percentage of revenue basis. Furthermore, at December 31, 2009, the Trust was in breach of its financial covenants under its long-term debt agreements. The lenders agreed to waive all existing defaults and events of default under the long-term debt agreements and amend their respective agreements, subject to certain conditions, which as of March 30, 2010, were satisfied. These conditions included the completion of the equity financing disclosed in note 7(b), with proceeds being used to reduce the Trust's existing secured indebtedness. The amended terms of the long-term debt agreements are disclosed in note 6.

The Trust relied on the Toronto Stock Exchange's ("TSX") financial hardship exemption rules to obtain all necessary regulatory approvals to complete the equity financing. Reliance on the financial hardship exemption rules automatically result in a TSX delisting review to confirm that the Trust continues to meet TSX listing requirements. Details of the TSX delisting review are disclosed in note 7(b). The Trust believes that it complies with applicable TSX listing requirements, however no absolute assurances can be made in this regard. If the Trust's securities are delisted from the TSX it could adversely impact the Trust's future access to equity capital.

The Trust has realigned its cost structure, where feasible, to be consistent with expected oil and natural gas industry activity levels, the Trust's associated revenue generating assets' utility levels and pricing for its services. Management has forecasted its financial results using its best estimates of the oil and natural gas industry activity levels and its associated operating conditions. Based on its forecast and restructured capital resources, management believes the Trust will be able to continue as a going concern. The Trust's continuation as a going concern is ultimately dependent upon its future financial performance, which will be affected by general economic conditions, government legislation, hydrocarbon commodity prices, oil and natural gas industry activity levels, availability of debt and/or equity to finance operations, execution of management's business plan and other factors, many of which are beyond the Trust's control. There are no absolute assurances that the Trust will be able to continue as a going concern.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and the amount and classification of liabilities that would be necessary should the Trust be unable to continue as a going concern. These adjustments would adversely differ materially from the current consolidated financial statements presentation.

3. CHANGES IN ACCOUNTING POLICY

Future accounting standards

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

The Canadian Accounting Standards Board ("AcSB") requires all publicly accountable enterprises to adopt 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 future interim and annual consolidated financial statements in accordance with IFRS including information for the comparative 2010 period. The Trust is in the process of preparing itself to present its financial statements under IFRS and does not intend to early adopt IFRS. The Trust's consolidated financial performance and financial position as disclosed in the Trust's current Canadian GAAP financial statements may be significantly different when presented in accordance with IFRS.

(b) Business combinations and consolidated financial statements

The Trust will be required to adopt the new Canadian accounting standards for business combinations, consolidated financial statements and non-controlling interests which will harmonize the Canadian accounting standards with IFRS. These standards are effective beginning January 1, 2011, and will be applied on a prospective basis at that time.

4. BRIDGE LOAN

Pursuant to an agreement dated December 20, 2009, the Trust had a bridge loan facility of $3,000 to fund the Trust's near-term working capital requirements, which was repaid and retired on February 16, 2010. The bridge loan was a senior secured non-revolving term loan that ranked prior to all senior debt and other security of the Trust and its subsidiaries. The bridge loan terms included an interest rate of 18 percent per annum on amounts drawn from escrow, an interest rate of 7.5 percent per annum on amounts held in escrow, a 3.5 percent draw down fee and a commitment fee of forty-five thousand dollars. The carrying value of the bridge loan approximated its fair value due to the short-term nature of the debt.

5. REVOLVING CREDIT FACILITY

Pursuant to an agreement dated August 27, 2008, renewed May 26, 2009, amended October 16, 2009, and January 28, 2010, the Trust has a revolving credit facility ("ALF") of $15,000 requiring no principal payments during the term, bearing interest at the bank prime rate plus up to 5.00 percent per annum or at banker's acceptance rates plus a variable stamping fee of 6.25 percent per annum. The facility matures on February 28, 2011, and is repayable in full on that date. The facility is secured by an unlimited guarantee, a general assignment of book debts, a demand debenture and a General Securities agreement. The carrying value of the facility approximates its fair value as interest rates are floating with the bank's prime rate.

6. LONG-TERM DEBT

Pursuant to an agreement dated August 31, 2005, amended on November 6, 2009, and January 28, 2010, the Trust has a term loan facility ("TLF 2005") with terms of no set principal payments until maturity on August 31, 2012, bearing interest at 7.77 percent per annum. The facility is secured by a General Securities agreement and Inter-Lender agreement. The fair value of the facility as determined by discounting the future contractual cash flows under current financing arrangements at a discount rate estimated for loans with similar conditions, terms and maturity is $29,598.

Pursuant to an agreement dated June 26, 2006, amended on November 6, 2009, and January 28, 2010, the Trust has a term loan facility ("TLF 2006") with terms of no set principal payments until maturity on June 26, 2013, bearing interest at 8.69 percent per annum. The facility is secured by a General Securities agreement and Inter-Lender agreement. The fair value of the facility as determined by discounting the future contractual cash flows under current financing arrangements at a discount rate estimated for loans with similar conditions, terms and maturity is $9,882.

Pursuant to an agreement dated January 28, 2010, the Trust has a term loan facility ("TLF 2010") with terms of no set principal payments until maturity on August 15, 2012, bearing interest at prime plus 5.00 percent per annum. The facility is secured by a General Securities agreement and Inter-Lender agreement. The fair value of the facility as determined by discounting the future contractual cash flows under current financing arrangements at a discount rate estimated for loans with similar conditions, terms and maturity is $9,872.

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

March 31, 2010	ALF	TLF 2005	TLF 2006	TLF 2010	Total
Long-term debt	$ –	$ 30,000	$ 10,000	$ 10,000	$ 50,000
Less current portion	–	–	–	–	–
	–	30,000	10,000	10,000	50,000
Unamortized costs	–	(519)	(179)	(231)	(929)
	$ –	$ 29,481	$ 9,821	$ 9,769	$ 49,071

December 31, 2009	ALF	TLF 2005	TLF 2006	TLF 2010	Total
Long-term debt	$ 20,856	$ 30,000	$ 10,000	$ –	$ 60,856
Less current portion	10,856	–	–	–	10,856
	10,000	30,000	10,000	–	50,000
Unamortized costs	–	(230)	(78)	–	(308)
	$ 10,000	$ 29,770	$ 9,922	$ –	$ 49,692

The Trust has several covenants associated with its long-term debt and revolving credit facility. During the first quarter of 2010, the Trust was in breach of its funded net debt to 12 month trailing earnings before interest, taxes, depreciation and amortization ("EBITDA") and current ratio financial covenants. The financial covenant breaches give the lenders the rights under the long-term debt agreements, among other things, to terminate the agreements, demand indebtedness outstanding as due and payable, realize on all of the Trust's assets secured as collateral and pursue other remedies as permitted in the agreements or applicable law. The lenders agreed to waive all existing defaults and events of default under the long-term debt agreements and amend their respective agreements, subject to certain conditions. The funded net debt to 12 month trailing EBITDA ratio has been waived until June 30, 2011, and the fixed charge coverage ratio which requires the Trust to maintain a specified cash flow to principal debt repayment ratio has been adjusted to be not less than 2.50 to 1.00, except during the period April 1, 2010 to February 28, 2011, where the ratio varies between 0.75 to 1.00 and 2.25 to 1.00. As of March 31, 2010, all conditions have been satisfied and consequently the Trust is in compliance with its financial covenants as of this date.

The Trust's existing long-term debt agreements do not specifically address potential changes in 2011 for the Trust's financial reporting under IFRS, which could be significant. Although there is a risk that the Trust's financial reporting under IFRS could result in a breach of an existing financial covenant, the Trust expects that it will be able to amend the existing long-term debt agreements to make any changes covenant neutral, however no absolute assurances can be made in this regard.

7. TRUST UNIT CAPITAL

(a) Authorized

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

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

(b) Trust Unit capital issued

	Number of Units		Amount
Balance, December 31, 2008	48,398,097	$	227,347
Balance, December 31, 2009	48,398,097		227,347
Units issued for cash, net of costs	123,985,078		23,623
Balance, March 31, 2010	172,383,175	$	250,970

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

(c) Trust Unit option plan

The Trust adopted a Trust Unit option plan on June 3, 2009, for its directors, officers and key employees whereby options to a maximum of ten percent of the issued and outstanding Trust Units may be granted subject to certain terms and conditions. Under this plan, the exercise price of each option is equal or greater than the market value of the Trust Units on the date of grant and an option's maximum term is five years. Vesting is at the Board of Directors' discretion, however Trust Unit options normally vest over three years from the date of grant as employees or directors render continuous services to the Trust. Changes in the number of Trust Units under option during the three months ended March 31, 2010 and 2009 are summarized as follows:

	2010			2009		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Balance, beg. of period	1,696,500	$	1.67	–	$	–
Granted	–		–	–		–
Forfeited	45,000		1.67	–		–
Balance, end of period	1,651,500		1.67	–		–
Options exercisable	825,750	$	1.67	–	$	–

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

Of the options granted during 2009, 50 percent vest immediately and 50 percent vest one year after grant.

The following table summarizes information about the Trust Unit options outstanding at March 31, 2010:

	Options outstanding			Options exercisable	
Exercise price	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options	Weighted average exercise price
$ 1.67	1,651,500	4.17	$ 1.67	825,750	$ 1.67

The fair value of Trust Unit options issued is estimated as at the grant date using the Black-Scholes option pricing model, with the following assumptions:

	2010	2009
Balance, beginning of period	$ 1,854	$ 1,483
Risk free interest rate (%)	2.4%	2.4%
Expected lives (years)	5	5
Expected volatility (%)	76%	61%
Distribution per unit	–	–

The weighted average fair value of the options issued is $0.03. For the three months ended March 31, 2010, unit-based compensation costs included in net earnings totaled $58.

(d) Contributed surplus

Contributed surplus represents the cost of the Trust Unit options granted to employees, directors and officers. The following table summarizes the information regarding contributed surplus:

	2010	2009
Balance, beginning of period	$ 1,854	$ 1,483
Unit-based compensation expense	58	–
Balance, end of period	$ 1,912	$ 1,483

8. WEIGHTED AVERAGE UNITS

	2010	2009
Weighted average basic Units	87,543,997	48,398,097
Weighted average diluted Units	87,543,997	48,398,097

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

9. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

(a) Operating activities:

	Three months ended March 31	
	2010	2009
		(restated)
Accounts receivable	$ (12,237)	$ (7,876)
Income taxes payable (recoverable)	251	(77)
Prepaid expenses	(377)	(224)
Inventory	396	(38)
Accounts payable and accrued liabilities	4,455	(190)
Deferred lease inducements	(51)	(50)
	$ (7,563)	$ (8,455)

(b) Investing activities:

	Three months ended March 31	
	2010	2009
		(restated)
Accounts payable for capital expenditures	$ 249	$ (852)
	$ 249	$ (852)

10. SUPPLEMENTAL INFORMATION

	Three months ended March 31	
	2010	2009
Interest paid	$ 1,192	$ 1,105
Income taxes paid	$ 1	$ 82

11. COMMITMENTS

The following are the Trust's contractual obligations as at March 31, 2010:

	Less than one year	1 to 3 years	4 to 5 years	After 5 years	Total
Long-term debt	$ –	$ 49,071	$ –	$ –	$ 49,071
Operating leases	13,812	23,265	19,264	32,182	88,523
Total contractual obligations	$ 13,812	$ 72,336	$ 19,264	$ 32,182	$ 137,594

12. SEGMENTED INFORMATION

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

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.

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 major divisions within this reporting segment are Fluids Handling and Surface Rentals.

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 major 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.

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.

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

Expenses other than direct expenses are allocated to the reporting segments based on percentage of assets. The tables below exclude discontinued operations disclosed in note 13.

Three months ended March 31, 2010	Drilling Services	Production Services	Oil Sands	Water Technology	Total
Revenue	$ 23,829	$ 7,146	$ 6,031	$ 1,939	$ 38,945
Depreciation and amortization	2,998	522	224	4	3,748
Interest on long-term debt	1,012	176	76	1	1,265
Income (loss) before other items	(1,204)	1,450	792	318	1,356
Net income (loss)	(3,263)	1,092	638	315	(1,218)
Total assets (as at 3/31/2010)	199,021	34,759	14,809	760	249,349
Capital expenditures	322	610	–	–	932

Three months ended March 31, 2009	Drilling Services	Production Services	Oil Sands	Water Technology	Total
Revenue	$ 26,206	$ 8,189	$ 8,831	$ 2,239	$ 47,465
Depreciation and amortization	2,969	534	235	5	3,743
Interest on long-term debt	776	294	62	1	1,133
Income before other items	2,533	1,244	3,294	362	7,433
Net income	1,132	710	3,182	360	5,384

Year ended December 31, 2009	Drilling Services	Production Services	Oil Sands	Water Technology	Total
Total assets	$ 188,879	$ 31,809	$ 13,687	$ 809	$ 235,184
Capital expenditures	1,654	3,406	851	–	5,911

13. DISCONTINUED OPERATIONS

During the year ended December 31, 2009, management identified that the Wireline operating division included in the Production Services reporting segment, be disposed of in order for the Trust to focus on its core business operations. This was part of the Trust's ongoing asset rationalization program, whereby equipment identified during the period as not generating an appropriate rate of return is earmarked for potential disposal with the intention of generating proceeds to be positioned for reinvestment in equipment that is expected to generate improved returns on invested capital. The Trust completed the sale of the Wireline operating division on July 14, 2009, for gross cash proceeds of $5,750.

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

The following table provides additional information with respect to amounts included in the statement of operations as discontinued operations:

	Three months ended March 31	
	2010	2009
Revenue	$ –	$ 3,007
Income before loss on equipment and taxes	$ –	$ 32
Gain on sale of equipment	–	(18)
Income before taxes	–	50
Income taxes – future (reduction)	–	13
Net income from discontinued operations	$ –	$ 37

The following tables provides additional information with respect to amounts included in the statement of cash flows as discontinued operations:

	Three months ended March 31	
	2010	2009
Net income from discontinued operations	$ –	$ 37
Items not affecting cash:		
Depreciation and amortization	–	588
Gain on disposal of net assets	–	(18)
Future income taxes	–	13
Funds provided by discontinued operations	$ –	$ 620

	Three months ended March 31	
	2010	2009
Components of change in non-cash working capital balance of discontinued operations:		
Accounts receivable	$ –	$ 1,258
Accounts payable and accrued liabilities	–	933
	$ –	$ 2,191

	Three months ended March 31	
	2010	2009
Investing activities:		
Purchase of equipment	$ –	$ (129)
Net proceeds on sale of equipment	–	32
Funds (used in) discontinued operations	$ –	$ (97)

14. RELATED PARTY TRANSACTIONS

For the three months ended March 31, 2010

On February 16, 2010, the Trust closed a $16,000 private placement financing for 80,000,000 Trust Units. The subscribers to the private placement, which included certain PESL Board of Director members, are related parties to the Trust. The private placement was considered by PESL's Board of Directors, exclusive of the related Board of Director members to be reasonable given the circumstances and approved the transaction. This transaction was completed on equivalent terms as the equity rights offering completed during the quarter and is measured at the exchange amount, which was deemed the amount of consideration established and agreed to by the related parties.

The Trust has a Sublease Agreement with a company related through two members of PESL's Board of Directors also being directors of the related party. For the three months ended March 31, 2010, $171 was included as an offset to the Trust's operating expenses. This agreement is considered in the normal course of business and is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. At March 31, 2010, the amounts due to and from the related entity was nil.

For the three months ended March 31, 2009

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

15. SEASONALITY OF OPERATIONS

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

16. SUBSEQUENT EVENT

On April 21, 2010 the Trust granted an additional 2,430,000 options with an exercise price of $0.23 to its officers and key employees under the Trust's existing Trust Unit option plan. One third of these options vested immediately on the grant date, one third will vest one year from the grant date, and one third will vest two years from the grant date.

BOARD OF DIRECTORS OF
PEAK ENERGY SERVICES LTD.

CHRISTOPHER E. HASLAM
Chairman of the Board
Chairman and Chief Executive Officer
Altus Energy Services Ltd.

RICHARD A. GRAFTON
President
Grafton Capital Corporation

EDWARD H. KERNAGHAN
Executive Vice President
Kernaghan Securities Ltd.

FREDERICK A. MOORE
President
Gateway Tubulars Ltd.

DOUGLAS F. ROBINSON
Independent Businessman

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

MANAGEMENT OF
PEAK ENERGY SERVICES LTD.

CURTIS W. WHITTERON
President and Chief Executive Officer

MATTHEW J. HUBER
Executive Vice President

DALE M. KAUFMANN
Chief Operating Officer

MONTY R. BALDERSTON
Chief Financial Officer

DEAN R. HERBERT
Vice President,
Human Resources and Administration

JOHN E. HUDSON
Vice President, Health, Safety, Environment
and Risk Management

MARION M. JEROME
Risk Manager and Corporate Secretary

INVESTOR RELATIONS CONTACT

MONTY R. BALDERSTON
Tel: 403.543.7325 Fax: 403.543.7335

HEAD OFFICE

Livingston Place, South Tower
Suite 900, 222-3rd Avenue SW
Calgary, Alberta, Canada T2P 0B4
Tel: 403.543.7325 Fax: 403.543.7335

WEBSITE

www.peak-energy.com

STOCK EXCHANGE LISTING

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

AUDITORS

KPMG LLP
Calgary, Alberta, Canada

REGISTRAR, TRANSFER AGENCY
AND TRUSTEE

VALIANT TRUST COMPANY
Calgary, Alberta, Canada

LEGAL COUNSEL

BURNET, DUCKWORTH & PALMER LLP
Calgary, Alberta, Canada

FRASER MILNER CASGRAIN LLP
Calgary, Alberta, Canada

BANKER

NATIONAL BANK OF CANADA
Calgary, Alberta, Canada

PEAK ENERGY SERVICES