



Cathedral

Energy Services Income Trust

AMENDED INTERIM REPORT 2005 Q2

CATHEDRAL ENERGY SERVICES REPORTS RECORD RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2005

FINANCIAL HIGHLIGHTS

\$ in 000's except per Trust Unit amounts

	Three months ended June 30		Six months ended June 30	
	2005	2004	2005	2004
Revenues	\$14,617	\$ 8,016	\$31,075	\$18,620
EBITDA ⁽¹⁾	\$ 4,201	\$ 1,383	\$10,464	\$ 4,372
Operating income ⁽²⁾	\$ 2,736	\$ 181	\$ 7,558	\$ 2,125
Income before taxes	\$ 2,889	\$ 444	\$ 8,210	\$ 2,551
Net income	\$ 4,008	\$ 791	\$ 7,866	\$ 2,500
Per Trust Unit – basic	\$ 0.14	\$ 0.04	\$ 0.28	\$ 0.11
Per Trust Unit – diluted	\$ 0.14	\$ 0.03	\$ 0.28	\$ 0.11
Cash distributions declared per Trust Unit	\$ 0.080	\$ 0.060	\$ 0.155	\$ 0.120
Distributable income ⁽³⁾	\$ 3,718	\$ 1,038	\$ 8,290	\$ 3,789
Distributions declared	\$ 2,271	\$ 1,348	\$ 4,351	\$ 2,674
Payout ratio ⁽⁴⁾	61%	130%	52%	71%
Capital asset additions and corporate acquisitions ⁽⁵⁾	\$ 8,202	\$ 1,328	\$10,747	\$ 3,988
Weighted average Trust Units outstanding:				
Basic ('000)	28,309	22,383	27,995	22,207
Diluted ('000)	28,489	23,014	27,995	22,807

	June 30 2005	December 31 2004
Working capital	\$ 5,587	\$10,839
Long-term debt including current portion	\$ -	\$ -
Unitholders' equity	\$40,922	\$33,564

⁽¹⁾ EBITDA is defined as earnings before interest on long-term debt, taxes, non-cash compensation expense and depreciation and is provided to assist investors in determining the ability of the Trust to generate cash from operations. EBITDA does not have any standardized meaning within Canadian Generally Accepted Accounting Principles and therefore may not be comparable to similar measures presented by other companies and/or trusts.

⁽²⁾ Operating income, as disclosed on the consolidated statement of operations and accumulated income, is defined as revenues less expenses related to operating, general and administration, depreciation, interest, foreign exchange loss (gains) and non-cash compensation. Operating income does not have any standardized meaning within Canadian Generally Accepted Accounting Policies and therefore may not be comparable to similar measures presented by other companies and/or trusts.

⁽³⁾ Distributable income is defined as cash flow from operations before changes in non-cash working capital less required principal repayments on long-term debt and maintenance capital expenditures. Distributable income does not have any standardized meaning within Canadian Generally Accepted Accounting Policies and therefore may not be comparable to similar measures presented by other trusts. Distributable income is a main performance measurement used by management and investors to evaluate the performance of the Trust.

⁽⁴⁾ Distributions declared as a percentage of distributable income.

⁽⁵⁾ Excludes value of non-cash issuance of Trust Units.

MANAGEMENT'S DISCUSSION & ANALYSIS

This Management's Discussion & Analysis ("MD&A") for the three months and six months ended June 30, 2005 should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2004, as well as the MD&A in the Trust's 2004 Annual Report, and with the unaudited interim consolidated financial statements for the three months and six months ended June 30, 2005. This MD&A has been prepared as of August 4, 2005.

Certain statements within this report may contain forward-looking statements, including (without limitation) statements concerning possible or assumed future results of operations of the Trust preceded by, followed by or that include the words "believes", "expects", "anticipates", "estimates", "intends", "plans", "forecasts" or similar expressions. Forward-looking statements are based on the estimates and opinions of management at the date the statements are made. These involve risks and uncertainties and the Trust's results may differ materially from those anticipated in the forward-looking statements.

OVERVIEW

For 2005 Q2, the Trust had record Q2 revenues and net income of \$14,617,000 and \$4,008,000 (\$0.14 per diluted Trust Unit), respectively. Comparative figures for 2004 Q2 were \$8,016,000 and \$791,000 (\$0.03 per diluted Trust Unit), respectively. On a quarter-over-quarter basis revenues are up \$6,601,000 or 82% and net income was up \$3,217,000 or 407%. Included in 2005 Q2 net income is the benefit of a reduction in the future income tax liability related to the June 15, 2005 internal reorganization. For the three months ended June 30, 2005, EBITDA was \$4,201,000 and this compares with \$1,383,000 in 2004 – an increase of \$2,818,000 or 204%.

For the six months ended June 30, 2005, the Trust had record revenues and net income of \$31,075,000 and \$7,866,000 (\$0.28 per diluted Trust Unit), respectively. Comparable revenues and net income for 2004 Q2 were \$18,620,000 and \$2,500,000 (\$0.11 per diluted Trust Unit), respectively. On a year-to-date basis, revenues and net income were up 67% and 215%, respectively. Included in 2005 Q2 YTD net income is the benefit of a reduction in the future income tax liability related to the June 15, 2005 internal reorganization. For the six months ended June 30, 2005, EBITDA was \$10,464,000 and this compares with \$4,372,000 in 2004 – an increase of \$6,092,000 or 139%.

Effective May 6, 2005, the Trust acquired Tier One Oil Services Ltd. ("Tier One") and therefore, the year-to-date results for 2005 Q2 includes the results of operations from Tier One commencing May 6, 2005.

RESULTS OF OPERATIONS - THREE MONTHS ENDED JUNE 30, 2005

Revenues Record Q2 revenues in 2005 of \$14,617,000, which represented an increase of \$6,601,000 or 82% over 2004 Q2 revenues of \$8,016,000, were mainly a result of a 58% increase in activity days, a 9.6% increase in the average day rate and the inclusion of revenues from the Tier One acquisition effective May 6, 2005.

Gross margin The gross margin (revenues less operating expenses) for 2005 Q2 was 49% which compares to 44% in 2004 Q2. The increased gross margin percentage is mainly attributable to the increase in the average day rate obtained for services.

General and administrative expenses General and administrative expenses increased from \$2,407,000 in 2004 Q2 to \$3,156,000 in 2005 Q2 – an increase of \$749,000. The increase is related to personnel costs, an overall increase in activity levels both in Western Canada and the Rocky Mountain region of the U.S. and the inclusion of Tier One general and administrative expenses effective May 6, 2005. As a percentage of revenues, general and administrative expenses were 21.6% in 2005 Q2 and 30.0% in 2004 Q2.

Depreciation Depreciation for 2005 Q2 was \$1,132,000 compared to \$865,000 in 2004 Q2. This increase is related to a larger capital asset base due to the Trust's investment in capital assets over the past 12 months as well as the inclusion of depreciation related to the acquisition of Tier One effective May 6, 2005. As a percentage of revenues, depreciation amounted to 7.7% for 2005 and 10.8% for 2004 - this decrease is mainly the result of the increase in revenues on a quarter-over-quarter basis.

Interest expense Interest on long-term debt has decreased from \$72,000 in 2004 to \$nil in 2005. This decrease is due to the Trust repaying all of its long-term debt in December 2004 and not having any long-term debt during the six months ended June 30, 2005. Other interest expense has decreased due to less reliance on the Trust's operating loan facility.

Foreign exchange gain The Trust's foreign exchange gain increased marginally from \$17,000 in 2004 Q2 to \$32,000 in 2005 Q2. During Q2 of 2004 and 2005, there were no significant fluctuations in the USD/CAD exchange rate and therefore, the resulting gain/loss is minimal.

Non-cash compensation expense The \$178,000 increase in non-cash compensation expense is due to the expense related to Trust Unit options issued during 2005 Q1 and Q2. Until the 2005 options were issued non-cash compensation expense was minimal. The overall increase in the value of non-cash compensation expense is due to: i) the significant appreciation in the market price for the underlying Trust Units which has increased substantially the value attributed to the Trust Unit options granted during the period using the Black-Scholes option pricing model; and ii) the overall increase in the number of options issued. The value of the options is being amortized against income over the three-year vesting period.

Gain on disposal of capital assets During 2005 Q2 the Trust had a gain on disposal of capital assets of \$153,000 which compares to \$263,000 in 2004 Q2. These gains are mainly due to recoveries of lost-in-hole equipment costs, including previously expensed depreciation on the related assets. The timing of lost-in-hole recoveries is not in the control of the Trust and therefore can fluctuate significantly from quarter-to-quarter.



Taxes For 2005 Q2 the Trust had a tax recovery of \$1,119,000 which compares to a tax recovery of \$347,000 in 2004 Q2. Included in the 2005 Q2 tax provision is a reduction in future income taxes that is a result of the June 16, 2005 internal reorganization. As a result of the internal reorganization a portion of the post June 16, 2005 income from the Trust's operating entities is not subject to corporate income taxes within the corporate structure as this income flows through to unitholders and is taxed in their hands. Accordingly, there is no tax provision within the Trust's financial statements for that portion of the income which is allocated to the unitholders.

RESULTS OF OPERATIONS - SIX MONTHS ENDED JUNE 30, 2005

Revenues Record Q1 and Q2 revenues in 2005 combined for record Q2 year-to-date revenues of \$31,075,000, which represented an increase of \$12,455,000 or 67% over 2004 Q2 year-to-date revenues of \$18,620,000. This increase was mainly a result of a 50% increase in activity days, a 9.3% increase in the average day rate and the inclusion of revenues from the Tier One acquisition effective May 6, 2005.

Gross margin The gross margin (revenues less operating expenses) for 2005 was 51% which compares to 47% in 2004. The increased gross margin percentage is mainly attributable to the increase in the average day rate obtained for services.

General and administrative expenses General and administrative expenses increased from \$4,784,000 in 2004 to \$5,978,000 in 2005 – an increase of \$1,194,000. The increase is related to personnel costs, an overall increase in activity levels both in Western Canada and the Rocky Mountain region of the U.S. and the inclusion of Tier One expenses effective May 6, 2005. As a percentage of revenues, general and administrative expenses were 19.2% in 2005 and 25.7% in 2004.

Depreciation Depreciation for 2005 was \$2,041,000 compared to \$1,668,000 in 2004. This increase is related to the inclusion of depreciation on Tier One related assets effective May 6, 2005 and a larger capital asset base due to the Trust's investment in capital assets over the past 12 months. As a percentage of revenues, depreciation amounted to 6.6% for 2005 and 9.0% for 2004 - this decrease is mainly the result of the increase in revenues on a year-over-year basis.

Interest expense Interest on long-term debt has decreased from \$147,000 in 2004 to \$nil in 2005. This decrease is due to the Trust repaying all of its long-term debt in December 2004 and not having any long-term debt during the six months ended June 30, 2005. Other interest expense has decreased due to less reliance on the Trust's operating loan facility.

Foreign exchange gain The Trust's foreign exchange gain increased marginally from \$40,000 in 2004 to \$48,000 in 2005. During 2004 and 2005 Q2 year-to-date, there were no significant fluctuation in the USD/CAD exchange rate and therefore, the resulting gain/loss is minimal.

Non-cash compensation expense The \$207,000 increase in non-cash compensation expense is due to the expense related to Trust Unit options issued during 2005 Q1 and Q2. Until the 2005 options were issued non-cash compensation expense was minimal. The overall increase in the value of non-cash compensation expense is due to: i) the significant appreciation in the market price for the underlying Trust Units which has increased substantially the value attributed to the Trust Unit options granted during the period using the Black-Scholes option pricing model; and ii) the overall increase in the number of options issued. The value of the options is being amortized against income over the three-year vesting period.

Gain on disposal of capital assets During 2005 the Trust had a gain on disposal of capital assets of \$652,000 which compares to \$426,000 in 2004. These gains are mainly due to recoveries of lost-in-hole equipment costs, including previously expensed depreciation on the related assets. The timing of lost-in-hole recoveries is not in the control of the Trust and therefore can fluctuate significantly from quarter-to-quarter.

Taxes For 2005, the Trust had a tax expense of \$344,000 (effective tax rate of 4.2%) which compares to \$51,000 (effective tax rate of 2.0%) in 2004. Included in the 2005 Q2 tax provision is a reduction in future income taxes that is a result of the June 16, 2005 internal reorganization. As a result of the internal reorganization a portion of the post June 16, 2005 income from the Trust's operating entities is not subject to corporate income taxes within the corporate structure as this income flows through to unitholders and is taxed in their hands. Accordingly, there is no tax provision within the Trust's financial statements for that portion of the income which is allocated to the unitholders.

LIQUIDITY AND CAPITAL RESOURCES

During 2005 Q2 the Trust increased its operating line of credit with a major Canadian bank by \$1,000,000 to a maximum facility of \$5,500,000. In addition, the Trust's \$7,000,000 revolving non-reducing term facility was renewed for a further two-year period. Both credit facilities were undrawn at June 30, 2005. Working capital at June 30, 2005 was \$5,587,000 which compares to \$10,839,000 at December 31, 2004. The decrease in the working capital position is due to the Trust incurring \$7,554,000 of capital asset additions and financing the cash component of the Tier One acquisition (\$3,193,000) from cash on hand during the six months ended June 30, 2005.

Operating activities Cash from operating activities (including changes in non-cash operating working capital) for the three and six months ended June 30, 2005 was \$6,100,000 (2004 - \$1,757,000) and \$10,492,000 (2004 - \$4,491,000), respectively. Both the Q2 quarter-over-quarter and Q2 year-to-date increases were a result of a combination of an increase in operating results and fluctuations in changes in non-cash working capital related to operations.



Investing activities Cash used in investing activities for the three and six months ended June 30, 2005 amounted to \$5,660,000 (2004 - \$1,805,000) and \$7,390,000 (2004 - \$4,923,000), respectively. In 2005 Q2 the Trust's operating entities acquired \$5,009,000 (2004 - \$1,328,000) of capital assets (excluding corporate acquisitions) including 3 EM-MWD systems and additions to the mud motor and drill collar fleet to complement the increased job capacity and reduce third-party rental costs for mud motors and collars. With the 3 additional EM-MWD systems the total MWD fleet as at June 30, 2005 is 46. The Trust anticipated commercializing its new positive pulse tool and adding 6 such systems to the fleet by June 30, 2005. Commercialization has now been delayed and management anticipates that commercialization will occur in 2005 Q3. Total capital asset additions for the six months ended June 30, 2005 were \$7,554,000 (2004 - \$3,988,000). During 2005 Q2 the Trust received proceeds on disposal of capital assets of \$359,000 (2004 - \$720,000) which brought the 2005 Q2 year-to-date total to \$1,340,000 (2004 - \$1,122,000). The May 6, 2005 acquisition of Tier One was financed by \$3,193,000 of cash and \$2,943,000 through the non-cash issuance of Trust Units. Fluctuations in non-cash working capital related to investing activities are a function of when proceeds on disposal of capital assets are received and when payments for capital asset purchases are made.

Financing activities Cash used in financing activities for the three and six months ended June 30, 2005 amounted to \$2,710,000 (2004 - cash provided by in the amount of \$217,000) and \$4,466,000 (2004 - cash provided by in the amount of \$444,000), respectively. As part of the Tier One acquisition, the Trust assumed \$673,000 of bank indebtedness and upon closing of the acquisition repaid this amount in full.

Distributions paid to Unitholders for 2005 Q2 and 2005 Q2 YTD amounted to \$2,176,000 (2004 - \$1,341,000) and \$4,182,000 (2004 - \$3,418,000), respectively. Both the Q2 quarter-over-quarter and Q2 year-to-date increases in distributions paid are related to a combination of increases in the per Trust Unit distribution level and an increase in the number of Trust Units outstanding. Since the end of 2004 Q2, monthly per Trust Unit distributions were increased in November 2004 by 12.5% to \$0.0225, 11% in January 2005 to \$0.025 and a further 10% increase in May 2005 to \$0.0275. On a go forward basis, it is the intention of the Trust to have equal monthly distributions to Unitholders, subject to the operating results of Cathedral Energy Services Ltd.

Contractual obligations In the normal course of business, the Trust incurs contractual obligations and those obligations are disclosed in the Trust's MD&A for the year ended December 31, 2004. As at June 30, 2005, the Trust's commitment to purchase capital assets is approximately \$3,075,000.

DISTRIBUTABLE INCOME

Distributable income is calculated as follows:

\$ in 000's	Three months ended June 30		Six months ended June 30	
	2005	2004	2005	2004
Cash flow from operations before changes in non-cash working capital	\$ 3,764	\$ 1,048	\$ 8,351	\$ 3,799
Less: - required principal repayments on long-term debt	-	-	-	-
- maintenance capital expenditures	(46)	(10)	(61)	(10)
Distributable income	\$ 3,718	\$ 1,038	\$ 8,290	\$ 3,789
Distributions declared	\$ 2,271	\$ 1,348	\$ 4,351	\$ 2,674
Payout ratio	61%	130%	52%	71%

Due to the seasonality of Cathedral's operations in Western Canada, where activity levels in the oilfield services industry are generally lower during "spring breakup" which normally commences in late March and continues through to May. It is the Trust's policy to pay consistent distributions throughout the year despite the seasonality of a portion of Cathedral's business.

As a result of the Trust's equipment being relatively new and the extensive maintenance program for its equipment (such repairs and maintenance cost are expensed in operating expenses), expenditures for maintenance capital are currently minimal. Current maintenance capital expenditure levels may not be indicative of future maintenance capital expenditure levels.

The Trustees review the level and nature of distributions on an on-going basis giving consideration to current performance, historical and future trends in the business and the expected sustainability of those trends as well as required long-term debt repayments and maintenance capital expenditures required to sustain performance. Distributable income is not a standardized measure under Canadian Generally Accepted Accounting Principles and distributable income cannot be assured. The Trust's calculation of distributable income may differ from similarly titled measures used by other trusts. Distributable income is a main performance measurement used by management and investors to evaluate the performance of the Trust.

INTERNAL REORGANIZATION

Management of the Trust had concluded that in order to maximize cash distributions to unitholders it would make future investments in new business initiatives, lines of business, services, product expansion and other investments through a wholly-owned trust and a limited partnership. Furthermore management believed that by combining Cathedral Energy Services Ltd. ("LTD"), Tier One and a new partnership (as opposed to operating as separate entities) there would be savings in administrative costs and effort. As a result, a new structure was implemented in which the Canadian operations of LTD and Tier One were combined into a limited partnership ("Cathedral Energy Services Limited Partnership") The combining of the operations of LTD and Tier One will reduce administrative costs and efforts and will provide a "combined" platform for future investments/growth in a tax efficient manner.



BUSINESS RISKS

The MD&A for the year ended December 31, 2004, which is included in the Trust's 2004 Annual Report, includes an overview on business risks associated with the Trust. Those business risks remain in effect as at June 30, 2005.

GOVERNANCE

The Audit Committee of the Board of Trustees has reviewed this MD&A and the related unaudited interim consolidated financial statements and recommended they be approved to the Board of Trustees. Following a review by the full Board, the MD&A and financial statements were approved.

OUTLOOK

Industry analysts continue to forecast strong oil and natural gas prices for the balance of 2005 and into 2006. Despite rain related delays experienced in 2005 Q2, drilling activity in Western Canada for 2005 is expected to be at record levels. In addition, the Rocky Mountain region of the U.S. remains very active and a growth area. Overall, industry fundamentals are extremely positive.

Commercialization of our new positive pulse system has now been moved to 2005 Q3. Despite the delay, management is expecting this new tool to be very positive to the operations of the Trust in that it will expand our ability to meet our customer's needs and arrive at solutions to their drilling requirements.

The Trust's operating entities remain active in the Steam Assisted Gravity Drainage ("SAGD") and Coal Bed Methane ("CBM") markets and both of these markets are considered to be growth areas for the industry. The expected increase in drilling activity in Western Canada for 2005 is mainly attributable to a substantial increase in the number of CBM wells expected to be drilled.

The Tier One acquisition has allowed the Trust to diversify its base of services by adding production testing. At the date of acquisition Tier One had 9 production testing units and at June 30, 2005 its fleet had expanded to 13 units. In the balance of 2005, two additional units are expected to be added. The Tier One acquisition is considered to be an entry point into the production testing area of the energy services industry and it is management's intent to build upon that base.

The Trust will continue to actively pursue opportunities to offer an expanded range of services to its customers, increase its market share, enter new geographic territories, and make strategic acquisitions.

SUMMARY OF QUARTERLY RESULTS

Three month period ended (\$ in 000's except per Trust Unit amounts)	Jun 2005	Mar 2005	Dec 2004	Sep 2004	Jun 2004	Mar 2004	Dec 2003	Sep 2003
Revenues	\$14,617	\$16,458	\$16,092	\$11,766	\$ 8,016	\$10,604	\$10,913	\$ 9,854
EBITDA	4,201	6,263	6,750	3,986	1,383	2,989	2,864	2,771
Net income	4,008	3,858	4,221	2,407	791	1,709	1,507	1,711
Net income per Trust Unit – basic	0.14	0.14	0.17	0.10	0.04	0.08	0.07	0.08
Net Income per Trust Unit - diluted	0.14	0.14	0.17	0.10	0.03	0.07	0.07	0.08
Distributions declared per Trust Unit	0.080	0.075	0.0725	0.060	0.060	0.060	0.055	0.055

NON-GAAP MEASURES

EBITDA is defined as earnings before interest on long-term debt, taxes, non-cash compensation expense and depreciation. EBITDA does not have any standardized meaning within Canadian Generally Accepted Accounting Principles and therefore may not be comparable to similar measures presented by other companies and/or trusts. EBITDA is provided to assist investors in determining the ability of the Trust to generate cash from operations.

REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Trust have been prepared by and are the responsibility of the Trust's Administrator, Cathedral Energy Services Ltd. and its management.

The Trust's independent auditor has not performed a review of the accompanying unaudited interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.



CONSOLIDATED BALANCE SHEETS

\$ in 000's of dollars

	June 30 2005 (unaudited)	December 31 2004
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,787	\$ 3,151
Accounts receivable	16,346	17,607
Inventory	1,924	1,268
Prepaid expenses and deposits	664	256
	<hr/> 20,721	<hr/> 22,282
Capital assets	30,263	22,915
Goodwill	5,848	1,624
Other asset	198	-
	<hr/> \$57,030	<hr/> \$46,821
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$13,184	\$10,044
Distribution payable to Unitholders	789	621
Taxes payable	1,161	778
	<hr/> 15,134	<hr/> 11,443
Future income taxes	974	1,814
	<hr/> 16,108	<hr/> 13,257
Unitholders' equity:		
Unitholders' capital (note 4)	22,404	18,775
Contributed surplus (note 4)	235	22
Accumulated income	35,208	27,342
Accumulated distributions	(16,925)	(12,575)
	<hr/> 40,922	<hr/> 33,564
	<hr/> \$57,030	<hr/> \$46,821

CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED INCOME

\$ in 000's except per Trust Unit amounts
(unaudited)

	Three months ended		Six months ended	
	June 30		June 30	
	2005	2004	2005	2004
Revenues (note 5)	\$14,617	\$ 8,016	\$31,075	\$18,620
Expenses:				
Operating	7,443	4,482	15,331	9,893
General and administrative	3,156	2,407	5,978	4,784
Depreciation	1,132	865	2,041	1,668
Interest – long-term debt	-	72	-	147
Interest – other	2	24	2	37
Foreign exchange gain	(32)	(17)	(48)	(40)
Non-cash compensation expense (note 4)	180	2	213	6
	11,881	7,835	23,517	16,495
Operating income	2,736	181	7,558	2,125
Gain on disposal of capital assets	153	263	652	426
Income before taxes	2,889	444	8,210	2,551
Taxes:				
Current	290	-	1,470	-
Future income taxes (reduction)	(1,409)	(347)	(1,126)	51
	(1,119)	(347)	344	51
Net income for the period	4,008	791	7,866	2,500
Accumulated income, beginning of period	31,200	19,923	27,342	18,214
Accumulated income, end of period	\$35,208	\$20,714	\$35,208	\$20,714
Net income per Trust Unit:				
Basic	\$ 0.14	\$ 0.04	\$ 0.28	\$ 0.11
Diluted	\$ 0.14	\$ 0.03	\$ 0.28	\$ 0.11
Cash distributions declared per Trust Unit	\$ 0.080	\$ 0.060	\$ 0.155	\$ 0.120



CONSOLIDATED STATEMENTS OF CASH FLOWS

\$ in 000's
(unaudited)

	Three months ended		Six months ended	
	June 30		June 30	
	2005	2004	2005	2004
Cash provided by (used in):				
Operating activities:				
Net income for the period	\$4,008	\$ 791	\$7,866	\$2,500
Items not involving cash:				
Depreciation	1,132	865	2,041	1,668
Future income taxes (reduction)	(1,409)	(347)	(1,126)	51
Unrealized foreign exchange loss	6	-	9	-
Non-cash compensation expense	180	2	213	6
Gain on disposal of capital assets	(153)	(263)	(652)	(426)
Cash flow from operations before changes in non-cash working capital	3,764	1,048	8,351	3,799
Changes in non-cash operating working capital	2,336	709	2,141	692
	6,100	1,757	10,492	4,491
Investing activities:				
Capital asset additions	(5,009)	(1,328)	(7,554)	(3,988)
Proceeds on disposal of capital assets	359	720	1,340	1,122
Acquisition of Tier One Oil Services Ltd., net of purchased cash of \$498 (note 3)	(3,193)	-	(3,193)	-
Changes in non-cash investing working capital	2,183	(1,197)	2,017	(2,057)
	(5,660)	(1,805)	(7,390)	(4,923)
Financing activities:				
Advances under long-term debt	-	300	-	300
Distributions paid to Unitholders	(2,176)	(1,341)	(4,182)	(3,418)
Trust Unit options exercised	139	438	389	842
Increase (decrease) in bank indebtedness	(673)	820	(673)	2,720
	(2,710)	217	(4,466)	444
Change in cash and cash equivalents	(2,270)	169	(1,364)	12
Cash and cash equivalents, beginning of period	4,057	231	3,151	388
Cash and cash equivalents, end of period	\$1,787	\$ 400	\$1,787	\$ 400

SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three and six months ended June 30, 2005 and 2004

(\$ in 000's except per Trust Unit amounts)

(unaudited)

1. Significant accounting policies:

These unaudited interim consolidated financial statements for the period ended June 30, 2005 do not include all disclosures required in the annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2004 included in the Trust's 2004 Annual Report. These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and using the same accounting policies as outlined in note 2 of the annual consolidated financial statements for the year ended December 31, 2004.

2. Seasonality of Operations:

The majority of Cathedral's operations are carried on in Western Canada where activity levels in the oilfield services industry are subject to a degree of seasonality. Operating activities in Western Canada are generally lower during "spring breakup" which normally commences in late March and continues through to May. Operating activities generally increase in the fall and peak in the winter months from December till late March. Activity levels in the Rocky Mountain region of the U.S. are not subject to the seasonality to the extent that it occurs in the Western Canada region.

3. Acquisition of Tier One Oil Services Ltd.:

Effective May 6, 2005, the Trust acquired all the issued and outstanding shares of Tier One Oil Services Ltd. ("Tier One"), a private company involved in providing production testing services in Western Canada, for consideration of \$6,136 (net of a working capital adjustment). Consideration was comprised of \$3,193 of cash and \$2,943 of Trust Units (668,864 Trust Units with an assigned value of \$4.40 per Trust Unit – assigned value is based upon 20 day weighted average trading price immediately prior to the effective date of the acquisition). Included in the 668,864 Trust Units issued were 32,500 units issued to senior managers of Tier One pursuant to employment contracts entered into under the terms of the acquisition. In addition, 67,500 Trust Units have been issued and are being held in trust for senior managers of Tier One. These Trust Units vest over a three-year period from the date of the Tier One acquisition.

The acquisition has been accounted for by the purchase method whereby the assets and liabilities were recorded at their fair market values as at the effective date and the operating results are included in the Trust's consolidated financial statements from the effective date.

Estimated details of the acquisition are as follows:

Net assets acquired:	
Net non-cash working capital deficiency	\$ (334)
Capital assets	2,523
Goodwill	4,224
Future income taxes	(277)
	\$ 6,136
Purchase price:	
668,864 Trust Units at \$4.40 per Trust Unit	\$ 2,943
Cash (including transaction costs totaling approximately \$55 and net of acquired cash of \$498)	3,193
	\$ 6,136

4. Unitholders' capital:

(a) Trust Units:

	Three months ended June 30, 2005		Six months ended June 30, 2005	
	Number of Trust Units	Amount	Number of Trust Units	Amount
Balance, beginning of period	27,834,799	\$ 19,025	27,620,866	\$ 18,775
Issued on acquisition of Tier One (note 3)	668,864	2,943	668,864	2,943
Issued as deferred compensation (note 3)	67,500	297	67,500	297
Trust Unit options exercised	115,200	139	329,133	389
Balance, end of period	28,686,363	\$ 22,404	28,686,363	\$ 22,404

At August 4, 2005, the Trust had 28,692,763 Trust Units outstanding.



4. Unitholders' capital (continued):

(b) Trust Unit options:

	Three months ended June 30		Six months ended June 30	
	2005	2004	2005	2004
	Number of options	Number of options	Number of options	Number of options
Outstanding, beginning of period	2,192,900	1,264,500	786,833	1,605,900
Issued	360,000	-	1,980,000	-
Forfeited	(26,667)	(32,800)	(26,667)	(32,800)
Exercised	(115,200)	(362,100)	(329,133)	(703,500)
Outstanding, end of period	2,411,033	869,600	2,411,033	869,600

At August 4, 2005, the Trust had 2,360,133 Trust Unit options outstanding.

During the three months and six months ended June 30, 2005, the Trust has recorded compensation expense and contributed surplus of \$180 (2004 - \$2) and \$213 (2004 - \$6), respectively. During the three and six months ended June 30, 2005, Trust Unit options were granted in the amount of 360,000 and 1,980,000, respectively. For options granted in 2002, the Trust has elected to disclose pro forma results as if the revised accounting recommendations had been applied retroactively. Had compensation expense been determined based upon the fair value method for awards granted in 2002, the Trust's net income and net income per Trust Unit for the three and six months ended June 30, 2005 and 2004 would have been adjusted to the pro forma amounts noted below:

	Three months ended June 30		Six months ended June 30	
	2005	2004	2005	2004
Net income for the period - as reported	\$ 4,008	\$ 791	\$ 7,866	\$ 2,500
Pro forma compensation expense	(8)	(25)	(15)	(50)
Net income for the period - pro forma	\$ 4,000	\$ 766	\$ 7,851	\$ 2,450
Net income per Trust Unit/Share- as reported	\$ 0.14	\$ 0.04	\$ 0.28	\$ 0.11
Net income per Trust Unit/Share - pro forma	\$ 0.14	\$ 0.03	\$ 0.28	\$ 0.11
Diluted net income per Trust Unit/Share - as reported	\$ 0.14	\$ 0.03	\$ 0.28	\$ 0.11
Diluted net income per Trust Unit/Share - pro forma	\$ 0.14	\$ 0.03	\$ 0.28	\$ 0.11

The pro forma amounts exclude the effect of stock options granted prior to January 1, 2002.

During the three months ended June 30, 2005 and March 31, 2005, 360,000 and 1,620,000, respectively, Trust Unit options were granted. These options have been valued using the Black-Scholes option pricing method. The following table sets out options issued during the six months ended June 30, 2005, the fair value of those options and the assumptions used in applying the Black-Scholes model:

	Date of Issue	
	May 6, 2005	March 14, 2005
Number of options issued	360,000	1,620,000
Exercise price	\$ 4.96	\$ 4.14
Fair value per option using Black-Scholes option price method	\$ 1.39	\$ 1.08
Expected distribution yield	6.65%	7.25%
Risk-free interest rate	3.4%	3.3%
Expected volatility	54%	52.5%
Expected life (in years)	3.5	3.5



5. Segmented information:

The Trust, through its wholly owned subsidiary, Cathedral Energy Services Ltd., operates in two geographic segments within one industry. Energy services are provided in both Canada and the United States. The amounts related to each segment are as follows:

Revenues	Three months ended June 30		Six months ended June 30	
	2005	2004	2005	2004
Canada	\$ 10,369	\$ 5,473	\$ 22,499	\$ 13,645
United States	4,248	2,543	8,576	4,975
	\$ 14,617	\$ 8,016	\$ 31,075	\$ 18,620

Capital assets and goodwill	June 30 2005	December 31 2004
Canada	\$ 28,501	\$ 19,913
United States	7,610	4,626
	\$ 36,111	\$ 24,539

During the three months ended June 30, 2005 one customer accounted for 17% (2004 – 28%) of consolidated revenues. During the six months ended June 30, 2005, one customer accounted for 14% (2004 – 23%) of consolidated revenues.

6. Comparative amounts:

Certain comparative amounts have been reclassified to conform to the current year's presentation.

*Cathedral Energy Services Income Trust is a limited purpose trust which owns the securities of Cathedral Energy Services Ltd. and Cathedral Energy Services Limited Partnership (collectively "Cathedral") representing the right to receive cash flow available for distribution from Cathedral. Cathedral is engaged in the business of providing selected energy services to oil and natural gas companies in Western Canada and the Rocky Mountain region of the United States and currently provides drilling services and related equipment rentals and production testing services. Cathedral markets its services under four brand names: **Directional Plus** and **The Directional Company** which provide horizontal and directional drilling services; **CAT Downhole Tools** which provides downhole equipment including drilling jars, shock subs and high performance drilling motors on a rental basis; and **Tier One Oil Services** which provides oil and natural gas production testing services. Cathedral strives to provide its clients with value added technologies and solutions to meet their drilling and production testing requirements. Its mandate is to supply "Best in Class, Best in Service" equipment and personnel to its clients. The trust units trade on the TSX under the symbol: **CET.UN**. For more information, visit www.cathedralenergyservices.com.*

