



2009 Q3 INTERIM REPORT

FINANCIAL HIGHLIGHTS

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

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Revenues	\$ 23,544	\$ 52,686	\$ 67,825	\$ 128,422
Gross margin % ⁽¹⁾	49%	46%	44%	46%
EBITDAS ⁽¹⁾	\$ 5,724	\$ 16,887	\$ 10,788	\$ 36,875
Diluted per Trust Unit	\$ 0.16	\$ 0.52	\$ 0.31	\$ 1.14
Income before taxes	\$ 3,207	\$ 13,022	\$ 905	\$ 25,508
Net income	\$ 3,125	\$ 10,296	\$ 3,045	\$ 20,402
Basic per Trust Unit	\$ 0.09	\$ 0.32	\$ 0.09	\$ 0.64
Diluted per Trust Unit	\$ 0.09	\$ 0.32	\$ 0.09	\$ 0.63
Cash distributions declared per Trust Unit	\$ 0.04	\$ 0.21	\$ 0.31	\$ 0.63
Distributable cash ⁽¹⁾ , including one-time 2009 Q1 current tax provision of \$4,168 (refer to MD&A)	\$ 5,093	\$ 13,844	\$ 4,915	\$ 28,996
Adjusted distributable cash ⁽³⁾ , excluding one-time 2009 Q1 current tax provision of \$4,168 (refer to MD&A)	\$ 5,093	\$ 13,844	\$ 9,083	\$ 28,996
Cash distributions declared ⁽²⁾	\$ 1,448	\$ 6,813	\$ 10,534	\$ 20,252
Payout ratio ⁽¹⁾ , net of one-time 2009 Q1 current tax provision of \$4,168	28%	49%	214%	70%
Adjusted payout ratio ⁽³⁾ , net of one-time 2009 Q1 current tax provision of \$4,168	28%	49%	116%	70%
Property and equipment additions	\$ 1,333	\$ 15,129	\$ 7,309	\$ 26,564
Weighted average Trust Units outstanding:				
Basic ('000)	36,198	32,384	34,370	32,091
Diluted ('000)	36,198	32,522	34,370	32,318
			September 30 2009	December 31 2008
Working capital			\$ 16,095	\$ 17,435
Long-term excluding current portion			\$ 36,571	\$ 40,233
Unitholders' equity			\$ 93,938	\$ 91,859

(1) Refer to MD&A; see "NON-GAAP MEASUREMENTS"

(2) Excludes foreign taxes paid that have been allocated to Unitholders

(3) Refer to MD&A; see "DISTRIBUTIONS"

MANAGEMENT'S DISCUSSION & ANALYSIS

This Management's Discussion & Analysis ("MD&A") for the three and nine months ended September 30, 2009 should be read in conjunction with the annual audited consolidated financial statements and notes thereto for the year ended December 31, 2008, as well as the MD&A in the Trust's 2008 Annual Report, and with the unaudited interim consolidated financial statements and notes thereto for the three and nine months ended September 30, 2009. This MD&A has been prepared as of November 4, 2009. Dollar amounts are in '000's except for day rates and per Trust Unit amounts.

FORWARD-LOOKING INFORMATION

Certain statements in this MD&A including (i) statements that may contain words such as “anticipate”, “could”, “expect”, “seek”, “may” “intend”, “will”, “believe”, “should”, “project”, “forecast”, “plan” and similar expressions, including the negatives thereof, (ii) statements that are based on current expectations and estimates about the markets in which the Trust/Cathedral operates and (iii) statements of belief, intentions and expectations about developments, results and events that will or may occur in the future, constitute “forward-looking statements” and are based on certain assumptions and analysis made by the Trust/Cathedral. Forward-looking statements in this MD&A specifically include, but are not limited to, statements with respect to future capital expenditures, including the amount, nature and timing thereof; oil and natural gas prices and demand; other development trends within the oil and natural gas industry; business strategy; expansion and growth of the Trust/Cathedral’s business and operations including the Trust/Cathedral’s market share and position in the oilfield service market; the arrangement (as herein discussed) and the expected benefits thereof; future financial position; results of operations; dividend policy; tax pools and the availability of such tax pools; taxes; plans and objectives; access to capital; liquidity and trading volumes; projected costs; business strategy and anticipated benefits of the arrangement; financial results; future cash flows; value and debt levels; future tax basis and the treatment of the Trust and the Trust Unitholders under tax laws and other such matters.

The forward-looking statements contained in this MD&A reflect several material factors, expectations and assumptions including, without limitation: (i) oil and natural gas production levels; (ii) commodity prices and interest rates; (iii) capital expenditure programs and other expenditures by the Trust/Cathedral and its customers; (iv) supply and demand for oil and natural gas; (v) expectations regarding the Trust’s/Cathedral’s ability to raise capital, generate cash flow and to increase its equipment fleets through acquisitions and manufacture; (vi) schedules and timing of certain projects and the Trust’s/Cathedral’s strategy for growth; (vii) the Trust’s/Cathedral’s future operating and financial results; (viii) the Trust’s/Cathedral’s ability to retain and hire qualified personnel; (ix) treatment under governmental regulatory regimes and tax, environmental and other laws; (ix) the completion of the arrangement; (x) the utilization of the tax basis by New Cathedral; and (xi) the timely receipt of required regulatory approvals.

Financial outlook information contained in this MD&A about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on management’s assessment of the relevant information currently available. Readers are cautioned that such financial outlook information contained in this MD&A and certain documents incorporated by reference into this MD&A should not be used for purposes other than for which it is disclosed herein.

Such forward-looking statements are subject to important risks and uncertainties, which are difficult to predict and that may affect the Trust/Cathedral’s operations, including, but not limited to: the impact of general economic conditions in Canada, the United States and Internationally; industry conditions, including the adoption of new environmental, safety and other laws and regulations and changes in how they are interpreted and enforced; volatility of oil and natural gas prices; oil and natural gas product supply and demand; risks inherent in the Trust/Cathedral’s ability to generate sufficient cash flow from operations to meet its current and future obligations; increased competition; the lack of availability of qualified personnel or labour unrest; fluctuation in foreign exchange or interest rates; foreign currency controls; stock market volatility; opportunities available to or pursued by the Trust/Cathedral, inability to obtain required consents, permits or approvals, including the Final Order of the Court approving the arrangement, approval of the Trust Unitholders or the SemBioSys Securityholders; the uncertainties associated with the availability and amount of the tax pools, third party credit risk relating to obligations of SemBioSys under the Indemnity Agreement, Assignment Agreements and the Divestiture Agreement and other factors, many of which are beyond the control of the Trust/Cathedral. The Trust’s/Cathedral’s actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do transpire or occur, what benefits the Trust/Cathedral will derive therefrom. Subject to applicable law, the Trust/Cathedral disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

All forward-looking statements contained in this document are expressly qualified by this cautionary statement. Further information about the factors affecting forward-looking statements is available in the Trust/Cathedral’s current Annual Information Form which has been filed with the applicable Canadian provincial securities commissions and is available on www.sedar.com.

NON-GAAP MEASUREMENTS

This MD&A refers to certain financial measurements that do not have any standardized meaning within Canadian Generally Accepted Accounting Principles (“GAAP”) and therefore may not be comparable to similar measures provided by other companies and/or trusts.

The specific measures being referred to include the following:

- i) “Gross margin” - calculated as revenues less operating expenses is considered a primary indicator of operating performance (see tabular calculation under Results of Operations);
- ii) “Gross margin %” - calculated as gross margin divided by revenues is considered a primary indicator of operating performance (see tabular calculation under Results of Operations);
- iii) “EBITDAS” - defined as earnings before interest on long-term debt, taxes, depreciation, amortization, unit-based compensation expense and foreign currency gain/loss on intercompany debt; this measure is considered an indicator of the Trust’s ability to generate funds flow from operations prior to consideration of how activities are financed, how the results are taxed and measured and non-cash expenses (see tabular calculation under EBITDAS);
- iv) “Distributable cash” - defined as cash flow from operating activities before changes in non-cash operating working capital less required principal repayments on long-term debt and maintenance capital expenditures; distributable cash is a key performance measurement used by management, analysts and investors to evaluate the financial performance of the Trust (see tabular calculation under Distributions);
- v) “Maintenance capital expenditures” – refers to capital expenditures required to maintain existing levels of service but excludes replacement cost of lost-in-hole equipment to the extent the replacement equipment is financed from the proceeds on disposal of the equipment lost-in-hole;

vi) "Payout ratio" - calculated as cash distributions declared divided by distributable cash, is an indicator of the Trust's ability to fund its distributions from the Trust's ongoing operations excluding changes in non-cash working capital (see tabular calculation under Distributions) (see distributable cash definition above); and

vii) "Funds from operations" - calculated as cash flow from operating activities before changes in non-cash working capital is considered an indicator of the Trust's ability to generate funds flow from operations but excluding changes in non-cash working capital which is financed using the Trust's bank indebtedness/line of credit facility.

OVERVIEW

The Trust completed the third quarter of 2009 with quarterly revenues of \$23,544 and year-to-date revenues of \$67,825 compared to 2008 Q3 at \$52,686 and 2008 year-to-date revenues of \$128,422. The 2009 Q3 revenues were lead by the Trust's directional drilling division which represented 71% (2008 Q3 - 78%) of total revenues. The decline in drilling in the oil and gas sector due to low commodity prices and the overall decline in the economy have resulted in a significant decline in revenues as compared to 2008 Q3. In mid-June 2009, the Trust re-organized its wireline operations to focus its Canadian operations on providing slickline services and to concentrate its electric line ("E-Line") services in the U.S.

2009 year-to-date EBITDAS was \$10,788 (\$0.31 per diluted Trust Unit) which represents a \$26,087 or 71% decrease from \$36,875 (\$1.14 per diluted Trust Unit) in 2008. On a 2009 year-to-date basis, the Trust's net income was \$3,045 (\$0.09 per diluted Trust Unit) which compares to \$20,402 (\$0.63 per diluted Trust Unit) in 2008.

RESULTS OF OPERATIONS - THREE MONTHS ENDED SEPTEMBER 30, 2009

Revenues and operating expenses

	2009 Q3	2008 Q3	Change	%
Revenues	\$ 23,544	\$ 52,686	\$ (29,142)	(55)
Operating expenses	(12,104)	(28,212)	(16,108)	(57)
Gross margin - \$	\$ 11,440	\$ 24,474	\$ (13,034)	(53)
Gross margin - %	49%	46%	3%	

Revenues	Three months ended September 30, 2009				Three months ended September 30, 2008			
	Directional drilling	Wireline	Production testing	Total	Directional drilling	Wireline	Production testing	Total
Canada	\$ 11,836	\$ 996	\$ 1,495	\$ 14,327	\$ 22,992	\$ 5,069	\$ 3,814	\$ 31,875
United States	4,863	2,372	1,982	9,217	17,917	2,068	826	20,811
	\$ 16,699	\$ 3,368	\$ 3,477	\$ 23,544	\$ 40,909	\$ 7,137	\$ 4,640	\$ 52,686

2009 Q3 revenues were \$23,544 which represented a decrease of \$29,142 or 55% from 2008 Q3 revenues of \$52,686. The decline is primarily attributed to the decline in oil and natural gas activity in 2009 which has been caused by low commodity prices and the global recession.

The directional drilling division revenues have decreased from \$40,909 in 2008 to \$16,699 in 2009. This decrease is the result of: i) the 58% decrease in activity days from 4,409 in 2008 to 1,874 in 2009; and ii) the decrease in the average day rate from \$9,098 in 2008 to \$8,754 in 2009, which was largely due to competitive pressures and the overall decline in drilling activity. Canadian activity days decreased from 2,497 to 1,372 and the U.S. activity days decreased from 1,912 to 502.

The Trust's production testing division contributed \$3,477 in revenues during 2009 Q3 which is a 25% decrease from 2008 revenues of \$4,640. The wireline division has been affected significantly by the decline in oil and natural gas activity. The wireline division generated revenues of \$3,368 for 2009 Q3 which compares to \$7,137 for 2008 which represents a 53% decrease. In mid-June 2009, the Trust re-organized its wireline operations to focus its Canadian operations on providing slickline services and to concentrate its electric line ("E-Line") services in the U.S.

The gross margin for 2009 Q3 was 49% compared to 46% in 2008 Q3. The increase is attributed to cost reductions in a number of areas including: i) reductions in labour rates; ii) reductions in equipment rentals as a result in decreased activity levels; net of iii) increases in repair and maintenance costs.

General and administrative expenses General and administrative expenses were \$5,630 in 2009 Q3, a decrease of \$2,313 compared with \$7,943 in 2008. The decrease was primarily related to the elimination of the accrual for annual bonus in 2009 as well as reductions in salaries due to staffing reductions and wage rollbacks. As a percentage of revenues, general and administrative expenses were 24% in 2009 Q3 and 15% in 2008 Q3. Recognizing the expected lower activity levels, the Trust has taken several initiatives to improve operating results and further strengthen its balance sheet. The Trust's operating entities have undertaken a detailed review of all operating costs and general and administrative expenditures and have initiated cost reductions to enhance profitability including layoff of staff and wage rollbacks ranging from 4 - 12%.

Depreciation and amortization Depreciation for 2009 Q3 was \$3,539 which compares to \$3,411 in 2008 Q3. During 2009 Q3, approximately \$11,478 of property and equipment was temporarily removed from service and therefore no depreciation has been recorded on these assets. As a percentage of revenues, depreciation amounted to 15% for 2009 and 6% for 2008.

Interest expense Interest expense related to long-term debt increased from \$266 in 2008 Q3 to \$303 in 2009 Q3 due to the combined net effect of: i) an increase in the average level of debt outstanding; and ii) a decrease in the effective interest rate on the related debt. Other interest expense decreased from \$115 in 2008 Q3 to \$51 in 2009 Q3, this relates mainly to interest charges on use by the Trust of its bank indebtedness/line of credit.

Foreign exchange gain/loss The Trust's foreign exchange gain/loss has changed from a \$21 loss in 2008 Q3 to a gain of \$1,404 in 2009 Q3 due to the fluctuations in the Canadian dollar in comparison to the U.S. dollar. The Trust's U.S. operations are considered to be self-sustaining and therefore gains and losses due to fluctuations in the foreign currency exchange rates are recorded in other comprehensive income ("OCI") on the balance sheet as a component of equity. However, gains and losses in the Canadian entity on U.S. denominated intercompany balances continue to be recognized in the statement of operations. Included in the 2009 Q3 foreign currency gain are unrealized gains of \$1,525 (2008 Q3 - \$27) related to intercompany balances.

Unit-based compensation expense For 2009 Q3 the Trust had unit-based compensation expense of \$200 which compares to \$215 for 2008 Q3. The value of the options is being amortized against income over the three-year vesting period.

Gain on disposal of property and equipment During 2009 Q3 the Trust had a gain on disposal of property and equipment of \$86, which compares to \$519 in 2008 Q3. The gains for 2009 Q3 relate to the sale of wireline assets. The gains for 2008 Q3 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 2009 Q3, the Trust had a tax expense of \$82 as compared to \$2,726 in 2008 Q3. A significant portion of income tax expense for 2008 Q3 relates to U.S. operations. As profitability of these operations has fallen dramatically, so has the related income tax expense.

RESULTS OF OPERATIONS – NINE MONTHS ENDED SEPTEMBER 30, 2009

Revenues and operating expenses

	2009 YTD	2008 YTD	Change	%
Revenues	\$ 67,825	\$ 128,422	\$ (60,597)	(47)
Operating expenses	(37,737)	(69,265)	(31,528)	(46)
Gross margin - \$	\$ 30,088	\$ 59,157	\$ (29,069)	(49)
Gross margin - %	44%	46%	(2%)	

	Nine months ended September 30, 2009				Nine months ended September 30, 2008			
	Directional drilling	Wireline	Production testing	Total	Directional drilling	Wireline	Production testing	Total
Canada	\$ 26,001	\$ 5,905	\$ 5,530	\$ 37,436	\$ 55,335	\$ 14,089	\$ 9,001	\$ 78,425
United States	19,713	4,561	6,115	30,389	44,444	4,727	826	49,997
	\$ 45,714	\$ 10,466	\$ 11,645	\$ 67,825	\$ 99,779	\$ 18,816	\$ 9,827	\$ 128,422

2009 revenues were \$67,825 which represented a decrease of \$60,597 or 47% from 2008 revenues of \$128,422. The decline is primarily attributed to the decline in oil and natural gas activity in 2009 which has been caused by low commodity prices and the global recession.

The directional drilling division revenues have decreased from \$99,779 in 2008 to \$45,714 in 2009; a 54% decrease. This decrease is the net result of: i) the 59% decrease in activity days from 11,191 in 2008 to 4,636 in 2009; and ii) the increase in the average day rate from \$8,724 in 2008 to \$9,634 in 2009, which were caused in large part to the increase in U.S. rates due to the decline in 2009 versus 2008 in the Canadian dollar relative to the U.S. dollar. Canadian activity days decreased from 6,042 to 2,855 and the U.S. activity days decreased from 5,149 to 1,781.

Expansion to the U.S. resulted in increased revenues for the Trust's production testing division. The Trust's production testing division contributed \$11,645 in revenues during 2009 which is a 19% increase over 2008 revenues of \$9,827. The wireline division generated revenues of \$10,466 for 2009 which compares to \$18,816 for 2008 which represents a 44% decrease. In mid-June 2009, the Trust re-organized its wireline operations to focus its Canadian operations on providing slickline services and to concentrate its electric line ("E-Line") services in the U.S.

The gross margin for 2009 was 44% compared to 46% in 2008. The decrease is attributed to a number of factors including: i) an increase in labour costs as percentage of revenue in the first six months of 2009; ii) greater impact of annual equipment repairs and maintenance costs (spread over less revenue); iii) an overall change in revenue mix as wireline and production testing revenues now make up a greater percentage of total revenues and these divisions have a lower gross margin; and iv) included in 2009 Q2 operating expenses were \$307 of costs associated with the restructuring of the Trust's wireline operations.

General and administrative expenses General and administrative expenses were \$19,609 in 2009; a decrease of \$3,356 compared with \$22,965 in 2008. The decrease was primarily related to the elimination of the accrual for annual bonus in 2009. As a percentage of revenues, general and administrative expenses were 29% in 2009 and 18% in 2008. Recognizing the expected lower activity levels, the Trust has taken several initiatives to improve operating results and further strengthen its balance sheet. The Trust's operating entities have undertaken a detailed review of all operating costs and general and administrative expenditures and have initiated cost reductions to enhance profitability including layoff of staff and wage rollbacks ranging from 4 – 12%. Included in the 2009 Q2 general and administrative expenses were \$146 related to restructuring of the Trust's wireline operations.

Depreciation and amortization Depreciation for 2009 was \$11,342 which compares to \$9,281 in 2008. This increase is due to the expansion of the equipment fleet since 2008 Q2. During 2009 Q3, approximately \$11,478 of property and equipment was temporarily removed from service and therefore no depreciation has been recorded on these assets. As a percentage of revenues, depreciation amounted to 17% for 2009 and 7% for 2008.

Interest expense Interest expense related to long-term debt increased from \$785 in 2008 to \$979 in 2009 due to the combined net effect of: i) an increase in the average level of debt outstanding; and ii) a decrease in the effective interest rate on the related debt. Other interest expense decreased from \$290 in 2008 to \$214 in 2009, relates mainly to interest charges on use by the Trust of its bank indebtedness/line of credit facility.

Foreign exchange gain/loss The Trust's foreign exchange gain/loss has changed from a \$20 loss in 2008 to a gain of \$2,838 in 2009 due to the fluctuations in the Canadian dollar in comparison to the U.S. dollar. The Trust's U.S. operations are considered to be self-sustaining and therefore gains and losses due to fluctuations in the foreign currency exchange rates are recorded in other comprehensive income ("OCI") on the balance sheet as a component of equity. However, gains and losses in the Canadian entity on U.S. denominated intercompany balances continue to be recognized in the statement of operations. Included in the 2009 foreign currency gain are unrealized gains of \$3,178 (2008 - \$66) related to intercompany balances.

Unit-based compensation expense For 2009, the Trust had unit-based compensation expense of \$740 which compares to \$1,367 for 2008. The value of the options is being amortized against income over the three-year vesting period.

Gain on disposal of property and equipment During 2009 the Trust had a gain on disposal of property and equipment of \$863, which compares to \$1,059 in 2008. The Trust's 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 2009, the Trust had a tax recovery of \$2,140 as compared to tax expense of \$5,106 in 2008. A significant portion of the current income taxes for 2008 relates to U.S. operations. As profitability of these operations has fallen dramatically, so has the current income tax expense. Approximately one half of the future tax recovery for 2009 relates to reversal of timing differences on U.S. taxes (see comments below). The remaining future tax recovery is attributable to adjustments related to the deferral of partnership income and future taxation of SIFT income in Canada.

Included in the 2009 net tax recovery is \$958 net tax expense related to tax on an internal reorganization related to ownership of assets. At the beginning of 2009 Q1 the Trust's U.S. subsidiary sold the majority of its operating assets to the Trust's Canadian operating entity, Cathedral Energy Services Limited Partnership, as part of an internal reorganization related to ownership of operating assets within the Trust. This transaction created a one-time current tax expense in the amount of \$4,168 (current taxable income was created mainly due to U.S. recaptured tax depreciation) and a recovery of future taxes in the amount of \$3,210; for a net tax cost of \$958. Subsequent to this transaction, the Trust's U.S. subsidiary leases the majority of its operating equipment from Cathedral Energy Services Limited Partnership.

LIQUIDITY AND CAPITAL RESOURCES

The Trust's primary source of liquidity is cash generated from operations. The Trust also has the ability to fund liquidity requirements through its credit facility and the issuance of debt and/or equity. Effective June 30, 2009 the Trust renewed its credit facility with a major Canadian bank and the new maturity date is June 30, 2010. At September 30, 2009, the Trust had a demand operating line of credit with a major Canadian bank in the amount of \$20,000 (December 31, 2008 - \$20,000) of which \$5,705 (December 31, 2008 - \$15,406) was drawn. In addition, the Trust has a non-reducing revolving term loan facility in the amount of \$45,000 (December 31, 2008 - \$45,000) of which \$36,500 (December 31, 2008 - \$40,000) was drawn as at September 30, 2009. In addition, at September 30, 2009, the Trust had other long-term debt of \$286 (December 31, 2008 - \$440).

Operating activities Cash provided by (used in) operating activities for the three and nine months ended September 30, 2009 was \$(5,085) and \$16,389 which compares to \$(427) and \$24,051 in the same periods in 2008. Funds from operations (see Non-GAAP Measurements) for 2009 were \$5,204 and \$5,389 which compares to \$13,980 and \$29,900 in 2008. This decrease was caused mainly by a reduction in earnings due to reduced activity levels. The Trust has a working capital position at September 30, 2009 at \$16,095 which compares to \$17,435 at December 31, 2008.

Investing activities Cash used in investing activities for the three and nine months ended September 30, 2009 amounted to \$1,382 and \$9,620 which compares to \$5,161 and \$16,425 for the same periods in 2008. During 2009 Q3 the Trust invested an additional \$1,333 (2008 - \$15,129) in property and equipment with the main additions being for final payments on production testing units. The 2009 capital expenditure program is \$8,400 including approximately \$540 of maintenance capital. Management currently expects that property and equipment additions for 2009 (on an annualized basis) will be financed from a combination of cash flow from operations, May 2009 equity issuance proceeds and its debt facility. At September 30, 2009, the Trust's operating entities had 96 MWD systems, 35 production testing units and 27 wireline units.

Financing activities Cash provided by (used in) financing activities for the three and nine months ended September 30, 2009 amounted to \$2,754 and \$(12,741) which compares to \$5,994 and \$(4,376) for the same periods in 2008. For the three and nine months ended September 30, 2009 the Trust repaid long-term debt in the amount of \$48 and \$5,154 (2008 - \$78 and \$232). During 2009 Q2 the Trust issued 3,615,600 trust units at \$4.15 for proceeds net of issuance costs of \$13,820. These proceeds were added to working capital and used to repay \$5,000 of long-term debt. In 2008 Q3 the Trust received \$776 on the exercise of Trust Unit options; there were no options exercised in 2009 Q3. Advances of bank indebtedness for 2009 Q3 were \$5,705 (2008 - \$2,093) and for 2009 to date there were repayments of \$9,701 (2008 advances of \$1,093). As at September 30, 2009, the Trust was in compliance with all covenants under its credit facility.

Distributions paid to Unitholders for the three and nine months ended September 30, 2009 totaled \$2,903 and \$13,206 (2008 – \$6,797 and \$20,188). Cash distributions paid have been financed from cash flow from operations and bank indebtedness. Management currently expects cash distributions for 2009 (on an annualized basis) will be financed from cash flow from operations. As part of the Trust's announcement to convert to a growth oriented corporation, the Trust ceased paying distributions effective August 2009.

At November 4, 2009, the Trust had 36,210,861 Trust Units and 1,988,338 Trust Unit options outstanding.

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, 2008. As at September 30, 2009, the Trust has a commitment to purchase approximately \$110 of property and equipment.

On October 30, 2009, the Trust and SemBioSys Genetics Inc. ("SemBioSys") entered into an arrangement agreement under which the Trust will convert from an income trust to a growth-oriented corporation (the "Conversion"). The Conversion will occur pursuant to a statutory plan of arrangement under Section 193 of the Business Corporations Act (Alberta) (the "Plan of Arrangement") and is expected to become effective on or before December 21, 2009. The Conversion will result in a corporation ("New Cathedral") having estimated tax pools of \$167 million. Under the Plan of Arrangement, the Trust's unitholders will receive one common share of New Cathedral in exchange for every Trust Unit of the Trust held on the effective date of the Conversion. Upon completion of the Conversion, New Cathedral will operate the existing businesses of the Trust and its subsidiaries and the existing trustees and management of the Trust will continue to act as the board and management of New Cathedral. As a consequence of the Conversion, New Cathedral will not be acquiring any additional business carried on by SemBioSys. The current business of SemBioSys will be carried on by a new entity, named SemBioSys Genetics Inc. ("New SemBioSys") which will be owned by the existing shareholders of SemBioSys. In accordance with the Plan of Arrangement, New SemBioSys will receive cash and common shares of New Cathedral of an aggregate value of approximately \$3.3 million. Transaction costs associated with the Plan of Arrangement are estimated to be \$1.1 million. StoneBridge Merchant Capital Corp. ("StoneBridge") acted as a special advisor to the Trust in respect to the Conversion and will be paid a fee which is included in the estimated transaction costs. A trustee of the Trust is an officer of Stonebridge. Additional details of the Conversion will be in an information circular expected to be mailed to the Trust's unitholders in November 2009.

CONTROLS AND PROCEDURES

Management is responsible for establishing and maintaining adequate disclosure controls and internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external reporting purposes in accordance with GAAP. Internal control over financial reporting may not prevent or detect fraud or misstatements because of limitations inherent in any system of internal control. There were no significant changes in the design or effectiveness of the Trust's disclosure controls or internal controls over financial reporting in the third quarter of 2009.

NEW ACCOUNTING POLICIES

Effective January 1, 2009, the Trust adopted the Canadian Institute of Chartered Accountants ("CICA") section 3064, Goodwill and Intangible Assets and amendments to Section 1000, Financial Statement Concepts. These standards have been adopted prospectively. For the nine months ended September 30, 2009, the adoption of these standards did not have an effect on the Trust's results, financial position or cash flows.

BUSINESS RISKS

The MD&A for the year ended December 31, 2008, which is included in the Trust's 2008 Annual Report, includes an overview on business risks associated with the Trust and its operating entities. Those business risks remain in effect as at September 30, 2009.

EBITDAS

EBITDAS (refer to Non-GAAP Measurements) is calculated as follows:

	Three months ended		Nine months ended	
	September 30		September 30	
	2009	2008	2009	2008
Net income for the period	\$ 3,125	\$ 10,296	\$ 3,045	\$ 20,402
Add (deduct):				
- depreciation and amortization	3,539	3,411	11,342	9,281
- interest – long-term debt	303	266	979	785
- unit-based compensation expense	200	215	740	1,367
- unrealized foreign currency gain on inter-company debt	(1,525)	(27)	(3,178)	(66)
- provision for taxes (recovery)	82	2,726	(2,140)	5,106
EBITDAS	\$ 5,724	\$ 16,887	\$10,788	\$ 36,875

DISTRIBUTIONS

The Administrator of the Trust reviewed the level and nature of distributions (cash, in-kind or a combination of cash and in-kind) on an on-going basis giving consideration to current performance, historical and future trends in the business, the expected sustainability of those trends and enacted tax legislation which affected future taxes payable as well as required long-term debt repayments, maintenance capital expenditures required to sustain performance and future growth capital expenditures. Despite the seasonality of the Trust's business, it was the Trust's policy to pay consistent distributions throughout the year. The Trust's operations in western Canada are subject to seasonality as activity levels in the oilfield services industry are generally lower during "spring breakup" which normally commences in late March and continues through to May (mainly in the Q2 of the fiscal year). The net result of the Trust's policy to pay consistent distributions throughout the year despite the seasonality of its operations is that in Q2 cash distributions declared at times exceed net income, cash flow from operating activities and/or distributable cash for the quarter.

Distributable cash is a supplemental non-GAAP measurement that management considers a key measure in demonstrating the Trust's ability to generate the cash necessary to pay distributions, fund future capital investments and the repayment of long-term debt. Distributable cash as presented is not intended to represent operating profit for the period nor should it be viewed as an alternative to operating profit, net income or other measures of financial performance calculated in accordance with Canadian GAAP. Distributable cash does not have any standardized meaning within Canadian GAAP and therefore may not be comparable to similar measures presented by other trusts (refer to Non-GAAP Measurements).

As part of the Trust's conversion to a growth oriented corporation, the Trust ceased paying distributions effective August 2009.

The following is a comparison of cash distributions declared and certain defined amounts:

	2009 Q3	2009 YTD	Fiscal year	
			2008	2007
Cash flow from operating activities	\$ (5,085)	\$ 16,389	\$ 36,143	\$ 39,729
Net income for the period	\$ 3,125	\$ 3,045	\$ 30,139	\$ 24,863
Distributable cash	\$ 5,093	\$ 4,915	\$ 39,791	\$ 38,993
Cash distributions declared	\$ 1,448	\$ 10,534	\$ 27,094	\$ 26,405
Excess (shortfall) of cash flow from operating activities over cash distributions declared	\$ (6,533)	\$ 5,855	\$ 9,049	\$ 13,324
Excess (short-fall) of net income over cash distributions declared	\$ 1,677	\$ (7,489)	\$ 3,045	\$ (1,542)
Excess (short-fall) of distributable cash over cash distributions declared	\$ 3,645	\$ (5,619)	\$ 12,697	\$ 12,588

Net income includes significant non-cash items which for the three and nine months ended September 30, 2009 were \$2,079 and \$2,344 and for the years ended December 31, 2008 and 2007 were \$12,823 and \$16,607, respectively, which do not impact cash flow. Included in these non-cash charges is a provision for depreciation that is not a reasonable proxy for the cost of maintaining existing levels of service (i.e. maintenance capital expenditures). Therefore, in certain periods cash distributions declared may exceed net income. Management does not consider the excess of cash distributions declared over net income for the year ended December 31, 2007 or nine months ended September 30, 2009 to be an economic return of capital. Instead the excess is considered a function of the timing of cash flows versus accounting income.

The 2009 Q3 short-fall of cash flow from operating activities over cash distributions declared was mainly caused by the change in non-cash working capital. Traditionally this is negative in Q3 due to the increase in business after the traditional slow down of Q2. On an annualized basis, the change in non-cash working capital is positive. Management evaluates this criteria based upon the projected annualized amount.

With respect to the short-fall of distributable cash over cash distributions declared for 2009 Q3 year-to-date, if the calculation of distributable cash is adjusted for the one-time current tax provision (\$4,168 as discussed under the Results of Operations, nine months ended September 30, 2009 – Taxes section of this MD&A and as follows with respect to comments on Distributable Cash) there would be a short-fall of distributable cash over cash distributions declared in the amount of \$1,451. Management considers the exclusion of this one-time current tax provision to be reasonable in comparing distributable cash to cash distributions declared as this current tax provision is being incurred for the long-term benefit of Trust as opposed to being limited to 2009 Q1 when the taxes were incurred. On an annualized basis, management expects the adjusted distributable cash to exceed cash distributions declared and, therefore, short-falls during the year are a reflection on timing of cash flows. In addition, it is not management's intent to distribute 100% of distributable cash.

Distributable cash (refer to Non-GAAP Measurements) is calculated as follows:

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Cash flow from operating activities	\$ (5,085)	\$ (427)	\$ 16,389	\$ 24,051
Add (Less):				
- changes in non-cash operating working capital ⁽¹⁾	10,289	14,407	(11,000)	5,849
- required principal repayments on long-term debt	(48)	(78)	(154)	(232)
- maintenance capital expenditures	(63)	(58)	(320)	(672)
Distributable cash	\$ 5,093	\$ 13,844	\$ 4,915	\$ 28,996
Add: one-time 2009 Q1 current tax provision (see comments below)	-	-	4,168	-
Adjusted distributable cash	\$ 5,093	\$ 13,844	\$ 9,083	\$ 28,996
Cash distributions declared ⁽²⁾	\$ 1,448	\$ 6,813	\$ 10,534	\$ 20,252
Payout ratio, net of one-time 2009 Q1 current tax provision of \$4,168	28%	49%	214%	70%
Adjusted payout ratio, excluding one-time 2009 Q1 current tax provision of \$4,168	28%	49%	116%	70%

(1) Changes in non-cash operating working capital have been added back (deducted) as such changes are financed using the Trust's bank indebtedness/line of credit facility. In addition, if changes in non-cash operating working capital were not excluded from the calculation of distributable cash it would introduce cash flow variability and affect underlying cash flow from operating activities.

(2) Excludes foreign taxes paid that have been allocated to Unitholders

At the beginning of 2009 Q1 the Trust's U.S. subsidiary sold the majority of its operating assets to the Trust's Canadian operating entity, Cathedral Energy Services Limited Partnership, as part of an internal reorganization related to ownership of operating assets within the Trust. This transaction created a one-time current tax expense in the amount of \$4,168 (this taxable income was created mainly due to recaptured U.S. tax depreciation).

DIVIDENDS

It is the intention of the Trust, once it converts to a growth-oriented corporation, to pay quarterly dividends. Trustees will review the amount of dividends on a quarterly basis with due consideration to current performance, historical and future trends in the business, the expected sustainability of those trends and enacted tax legislation which will affect future taxes payable as well as required long-term debt repayments, maintenance capital expenditures required to sustain performance and future growth capital expenditures.

As reported in the Trust's news release on October 30, 2009, in light of the method of conversion to a corporation including the cash requirements to complete the Conversion, the Trustees have, upon the recommendation of management, concluded to suspend the previously proposed dividend for the 4th quarter of 2009 and will review the proposed dividends for 2010 as part of its annual operating and capital budget process. The Trustees have now completed the review of the Trust's 2010 operating and capital budget and are intending to declare a 2010 Q1 dividend of \$0.06 per share payable in April 2010. Thereafter, dividends will be reviewed and declared on a quarterly basis.

SUMMARY OF QUARTERLY RESULTS

Three month period ended	Sep 2009	Jun 2009	Mar 2009	Dec 2008	Sep 2008	Jun 2008	Mar 2008	Dec 2007
Revenues	\$23,544	\$12,913	\$31,368	\$50,506	\$52,686	\$29,483	\$46,253	\$39,054
EBITDAS	5,724	(1,721)	6,237	13,932	16,887	4,632	15,395	13,707
Net income (loss)	3,125	(1,484)	1,404	9,737	10,296	189	9,917	10,365
Net income (loss) per Trust Unit – basic and diluted	0.09	(0.04)	0.04	0.30	0.32	0.01	0.31	0.33
Cash distributions declared per Trust Unit	0.04	0.12	0.15	0.21	0.21	0.21	0.21	0.21

OUTLOOK

As announced on October 30, 2009, the Trust and SemBioSys Genetics Inc. ("SemBioSys") entered into an arrangement agreement under which the Trust will convert from an income trust to a growth-oriented corporation. The conversion is expected to become effective on or before December 21, 2009 and is subject to approval by the Trust's unitholders and the holders of securities of SemBioSys. Assuming approvals are obtained (including those noted), the Trust will be able to enter 2010 with certainty as to its entity structure and will be able to focus on growth.

All of the Trust's operating units are experiencing an increase in activity levels in Q4 versus Q3. That improvement is expected to continue into Q1 of 2010 with an active winter drilling season. The increase in activity levels that is being experienced is mainly related to the unconventional gas and oil plays. The Trust continues its focus on unconventional plays and has expanded into various North American shale plays (including Montney, Bakken, Horn River, Utica, Marcellus and Fayetteville). These plays have employed the use of horizontal, multi-stage fracturing technology and as a result have contributed significantly to the overall increase in the number of horizontal wells drilled as a percentage of total wells drilled – both in Canada and the U.S.

The Trust will continue with technology as a focal point of its operations and further enhancements to its overall suite of directional drilling equipment is expected. The Trust has numerous development projects in process that are expected to allow the Trust to be a significant player in the directional drilling market.

Trustees have now completed the review of the Trust's 2010 operating and capital budget and are intending to declare a 2010 Q1 dividend of \$0.06 per share, payable in April 2010. Thereafter, dividends will be reviewed and declared on a quarterly basis. In addition, Trustees have approved a 2010 capital budget in the amount of \$13,155. The major components within the approved capital budget are: 1) additions to the mud motor fleet; 2) MWD systems and Logging-While-Drilling ("LWD") equipment for the international market; and 3) the build-out of the Calgary facility that was purchased in 2008. On an annualized basis, dividends and the 2010 capital budget are expected to be financed from cash flow from operations.

CONSOLIDATED BALANCE SHEETS

Dollars in 000's
(unaudited)

September 30
2009

December 31
2008

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,196	\$ 7,551
Accounts receivable	21,299	43,629
Taxes recoverable	641	688
Inventory	6,342	8,963
Prepaid expenses and deposits	1,843	1,538

31,321 62,369

Property and equipment

95,495 101,287

Intangibles

330 441

Goodwill

19,775 19,775

\$ 146,921 \$ 183,872

LIABILITIES AND UNITHOLDERS' EQUITY

Current liabilities:

Bank indebtedness (note 5)	\$ 5,705	\$ 15,406
Accounts payable and accrued liabilities	9,306	27,040
Distribution payable to Unitholders	-	2,281
Current portion of long-term debt (note 6)	215	207

15,226 44,934

Long-term debt (note 6)

36,571 40,233

Future income taxes

1,186 6,846

Unitholders' equity:

Unitholders' capital (note 7)	68,131	54,311
Contributed surplus (note 7)	3,403	2,663
Retained earnings	23,679	31,559
Accumulated other comprehensive income (loss)	(1,275)	3,326

93,938 91,859

\$ 146,921 \$ 183,872

Commitments (note 9)

Subsequent events (note 10)

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2009	2008	2009	2008
Revenues	\$ 23,544	\$ 52,686	\$ 67,825	\$ 128,422
Expenses:				
Operating	12,104	28,212	37,737	69,265
General and administrative	5,630	7,943	19,609	22,965
Depreciation and amortization	3,539	3,411	11,342	9,281
Interest – long-term debt	303	266	979	785
Interest – other	51	115	214	290
Foreign exchange (gain) loss	(1,404)	21	(2,838)	20
Unit-based compensation expense	200	215	740	1,367
	20,423	40,183	67,783	103,973
	3,121	12,503	42	24,449
Gain on disposal of property and equipment	86	519	863	1,059
Income before taxes	3,207	13,022	905	25,508
Taxes:				
Current	131	2,122	3,557	5,131
Future (recovery)	(49)	604	(5,697)	(25)
	82	2,726	(2,140)	5,106
Net income for the period	3,125	10,296	3,045	20,402
Retained earnings, beginning of period	22,010	25,519	31,559	28,852
Less: distributions	(1,456)	(6,813)	(10,925)	(20,252)
Retained earnings, end of period	\$ 23,679	\$ 29,002	\$ 23,679	\$ 29,002
Net income per Trust Unit:				
Basic	\$ 0.09	\$ 0.32	\$ 0.09	\$ 0.64
Diluted	\$ 0.09	\$ 0.32	\$ 0.09	\$ 0.63

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Dollars in 000's
(unaudited)

	Three months ended		Nine months ended	
	September 30		September 30	
	2009	2008	2009	2008
Net income for the period	\$ 3,125	\$ 10,296	\$ 3,045	\$ 20,402
Other comprehensive income (loss):				
Unrealized foreign exchange gain (loss) on translation of self-sustaining foreign operations	(2,485)	959	(4,601)	1,393
Comprehensive income (loss) for the period	\$ 640	\$ 11,255	\$ (1,556)	\$ 21,795
Accumulated other comprehensive income (loss), beginning of period	\$ 1,210	\$ (1,460)	\$ 3,326	\$ -
Adjustment for change in foreign currency translation method	-	-	-	(1,894)
Other comprehensive income (loss)	(2,485)	959	(4,601)	1,393
Accumulated other comprehensive loss, end of period	\$ (1,275)	\$ (501)	\$ (1,275)	\$ (501)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Dollars in 000's
(unaudited)

	Three months ended		Nine months ended	
	September 30		September 30	
	2009	2008	2009	2008
Cash provided by (used in):				
Operating activities:				
Net income (loss) for the period	\$ 3,125	\$ 10,296	\$ 3,045	\$ 20,402
Items not involving cash:				
Depreciation and amortization	3,539	3,411	11,342	9,281
Future taxes (recovery)	(49)	604	(5,697)	(25)
Unrealized foreign exchange gain	(1,525)	(27)	(3,178)	(66)
Unit-based compensation expense	200	215	740	1,367
Gain on disposal of property and equipment	(86)	(519)	(863)	(1,059)
	5,204	13,980	5,389	29,900
Changes in non-cash operating working capital	(10,289)	(14,407)	11,000	(5,849)
	(5,085)	(427)	16,389	24,051
Investing activities:				
Property and equipment additions	(1,333)	(15,129)	(7,309)	(26,564)
Proceeds on disposal of property and equipment	800	1,047	2,426	1,849
Changes in non-cash investing working capital	(849)	8,921	(4,737)	8,290
	(1,382)	(5,161)	(9,620)	(16,425)
Financing activities:				
Proceeds on Trust Units issued for cash, net of issuance costs	-	-	13,820	-
Distributions paid to Unitholders	(2,903)	(6,797)	(13,206)	(20,188)
Repayment of long-term debt	(48)	(78)	(5,154)	(232)
Advances under long-term debt	-	10,000	1,500	10,047
Proceeds on exercise of Trust Unit options	-	776	-	4,904
Change in bank indebtedness	5,705	2,093	(9,701)	1,093
	2,754	5,994	(12,741)	(4,376)
Effect of exchange rate on changes in cash and cash equivalents	(384)	-	(383)	-
Change in cash and cash equivalents	(4,097)	406	(6,355)	3,250
Cash and cash equivalents, beginning of period	5,293	4,150	7,551	1,306
Cash and cash equivalents, end of period	\$ 1,196	\$ 4,556	\$ 1,196	\$ 4,556

SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended September 30, 2009 and 2008

Dollars in 000's
(unaudited)

1. Significant accounting policies:

These unaudited interim consolidated financial statements for the period ended September 30, 2009 do not include all disclosures required in the annual financial statements and should be read in conjunction with the annual consolidated financial statements and notes thereto for the year ended December 31, 2008 included in the Trust's 2008 Annual Report and other public disclosure documents of the Trust. 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, 2008, except for the new accounting policies described in note 2.

2. New accounting policies:

Effective January 1, 2009, The Trust adopted the following sections of the Canadian Institute of Chartered Accountants ("CICA") Handbook and they have been adopted prospectively. For the nine months ended September 30, 2009, the adoption of these sections did not have an effect on the Trust's results, financial position or cash flows.

The CICA issued section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. New Section 3064 addresses when an internally developed intangible asset meets the criteria for recognition as an asset. The CICA also issued amendments to Section 1000, Financial Statement Concepts.

3. Future accounting policies:

In January 2009, the CICA issued Section 1582, Business Combinations, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements for the acquisition method for business combinations and related disclosures. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier application permitted. The Trust has had no business combinations since this standard was issued. Should it have such a transaction it will evaluate if it will adopt the new section.

In January 2009, the CICA issued Sections 1601, Consolidated Financial Statements, and Section 1602, Non-controlling Interests, which replaces existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier application permitted. The Trust has had no business combinations since this standard was issued. Should it have such a transaction it will evaluate if it will adopt the new section.

In February, 2008, the CICA confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in Canada for publicly accountable profit oriented enterprises for fiscal years beginning on or after January 1, 2011. The Trust will be required to report using IFRS beginning January 1, 2011. In light of these requirements, the Trust has begun to develop an IFRS transition project plan.

The Trust's IFRS project plan has four phases: education, analysis, design and implementation and testing. The Trust is continuing the process of education for all levels of the organization and has completed the analysis phase during which it identified specific significant differences between Canadian GAAP and IFRS. The Trust is in the design phase in which it is determining its policies and procedures for IFRS. This phase will be completed in 2009 Q4 and the Trust will move into the implementation and testing phase in 2010.

4. Seasonality of operations:

A significant portion of the Trust'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. Canadian operating activities generally increase in the fall and peak in the winter months from December till late March.

5. Bank indebtedness:

The Trust has a \$20,000 demand operating line of credit with a major Canadian bank that bears interest, at the Trust's option, at the bank's prime rate plus 0.50 % to 1.50% or bankers' acceptance rate plus 2.00% to 3.00% with interest payable monthly and is secured as described in note 6. Interest rates spreads for the renewed credit facility will depend on the level of funded debt to EBITDA (earnings before interest on long-term debt, taxes, depreciation, amortization and non-cash compensation expense – as defined in the credit agreement).

6. Long-term debt:

	September 30 2009	December 31 2008
Bank revolving term loan with a major Canadian bank at an authorized amount of \$45,000, bearing interest at the bank's prime rate plus 1.00 % to 2.00% or bankers' acceptance rate plus 2.25% to 3.25%, without repayment terms, maturing June 30, 2010 subject to an annual extension upon agreement between the borrower and the bank for a further one-year period. Interest rates spreads for the renewed credit facility will depend on the level of funded debt to EBITDA (earnings before interest on long-term debt, taxes, depreciation, amortization and non-cash compensation expense – as defined in the credit agreement). Prior to maturity the borrower may convert its revolving term loan to a non-revolving term loan repayable monthly over 36 months with interest only for the first 12 months	\$ 36,500	\$ 40,000
Non-interest bearing loans secured by the related automotive equipment with various maturity dates up to 2010	145	218
Capital lease obligations	141	222
	36,786	40,440
Less: current portion of long-term debt	(215)	(207)
	\$ 36,571	\$ 40,233

The credit facility with a major Canadian bank is secured by a general security agreement over all present and future personal property with a first charge over certain real estate assets and is subject to certain covenants regarding the payment of dividends, cash distributions and the maintenance of certain financial ratios.

7. Unitholders' equity:

(a) Issued Unitholders capital:

	Three months ended September 30, 2009		Nine months ended September 30, 2009	
	Number of Trust Units	Amount	Number of Trust Units	Amount
Balance, beginning of period	36,197,622	\$ 68,131	32,582,022	\$ 54,311
Issued on May 19, 2009	-	-	3,615,600	15,005
Less: issuance costs		-		(1,185)
Balance, end of period	36,197,622	\$ 68,131	36,197,622	\$ 68,131

(b) Contributed surplus:

	Three months ended September 30, 2009	Nine months ended September 30, 2009
Balance, beginning of period	\$ 3,203	\$ 2,663
Unit-based compensation expense related to Trust Unit option plan	200	740
Balance, end of period	\$ 3,403	\$ 3,403

(c) Trust Unit options:

	Three months ended September 30, 2009	Nine months ended September 30, 2009
Outstanding, beginning of period	2,814,763	3,053,430
Issued	114,000	114,000
Forfeited	(190,918)	(429,585)
Outstanding, end of period	2,737,845	2,737,845

During the nine months ended September 30, 2009, 114,000 Trust Unit options were granted. The following table sets out the assumptions used in applying the Black-Scholes model:

	Date of Issue	
	July 16, 2009	August 18, 2009
Number of options issued	60,000	54,000
Expected distribution yield	14.33%	6.52%
Risk-free interest rate	2.44%	2.49%
Expected volatility	52%	52%
Expected life (in years)	3.5	3.5
Fair value per option	\$ 0.54	\$ 0.98
Exercise price	\$ 3.35	\$ 3.68

8. Segmented information:

The Trust, through its directly and indirectly wholly-owned entities, Cathedral Energy Services Ltd. and Cathedral Energy Services Limited Partnership, is engaged in the business of providing oilfield services to oil and natural gas exploration entities in western Canada, selected basins in the United States and Venezuela and is viewed as a single operating segment by the chief operating decision maker of Cathedral Energy Services Ltd. for the purpose of resource allocation and assessing performance.

Oilfield services are currently provided in both Canada and the United States and are expected to occur in Venezuela in late 2009 or early 2010. The amounts related to each segment are as follows:

Revenues	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Canada	\$ 14,327	\$ 31,875	\$ 37,436	\$ 78,425
United States	9,217	20,811	30,389	49,997
	\$ 23,544	\$ 52,686	\$ 67,825	\$ 128,422

8. Segmented information (continued):

Revenues by operating division	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Directional drilling	\$ 16,699	\$ 40,909	\$ 45,714	\$ 99,779
Wireline	3,368	7,137	10,466	18,816
Production testing	3,477	4,640	11,645	9,827
	\$ 23,544	\$ 52,686	\$ 67,825	\$ 128,422

Property and equipment, goodwill and intangibles	September 30 2009	December 31 2008
Canada	\$ 97,899	\$100,508
United States	10,350	14,282
International	7,351	6,713
	\$ 115,600	\$121,503

During the three months and nine months ended September 30, 2009, one customer accounted for 21% (2008 – 25%) and 31% (2008 – 27%) of consolidated revenues, respectively.

During the three months ended September 30, 2009, \$11,478 of property and equipment was not depreciated as it was temporarily removed from service.

9. Commitments:

In the normal course of business, the Trust incurs contractual obligations and those obligations are disclosed in the Trust's annual financial statements for the year ended December 31, 2008. As at September 30, 2009, the Trust's commitment to purchase property and equipment is approximately \$110.

10. Subsequent events:**(a) Options:**

Subsequent to September 30, 2009, the following transactions occurred with respect to the Trust option plans:

- i. Insiders of the Trust voluntarily forfeited all of their 1,303,334 Trust Unit Options;
- ii. Trust Unit option agreements covering 1,089,804 Trust Unit Options held by non-insiders have been amended to extend the vesting period and adjust the exercise price to \$3.81;
- iii. 579,066 Trust Unit options have been issued to non-insiders with an exercise price of \$3.81; and
- iv. All of the issued phantom options (120,000) have been cancelled.

(b) Conversion to a corporation:

On October 30, 2009, the Trust and SemBioSys Genetics Inc. ("SemBioSys") entered into an arrangement agreement under which the Trust will convert from an income trust to a growth-oriented corporation (the "Conversion"). The Conversion will occur pursuant to a statutory plan of arrangement under Section 193 of the Business Corporations Act (Alberta) and is expected to become effective on or before December 21, 2009.

11. Reclassification:

Certain comparative financial statement items have been reclassified to conform to the presentation adopted in 2009.

Cathedral Energy Services Income Trust (the "Trust"/"Cathedral") is a limited purpose trust that is engaged, through its operating entities, in providing selected oilfield drilling and completion services to oil and natural gas industry in western Canada and selected basins in the United States. Cathedral is in the process of initiating operations in Venezuela for providing directional drilling services through its wholly owned subsidiaries Directional Plus International Ltd. and Directional Plus de Venezuela, C.A. The Trust's operating activities are divided into three business units: directional drilling, production testing and wireline. Cathedral strives to provide its clients with value added technologies and solutions to meet their drilling and completion requirements. Its mandate is to supply "Best in Class, Best in Service" equipment and personnel to its clients. The Trust's units trade on the TSX under the symbol: CET.UN. For more information, visit www.cathedralenergyservices.com