

- (4) Operating days is the total of all drilling days from spud to release and excludes stand-by, moving, rig-up and tear-out days.
- (5) Source: Canadian Association of Oilwell Drilling Contractors (CAODC).

HIGHLIGHTS

Pantera Drilling Income Trust generated revenue of \$17.4 million for the year ended December 31, 2009, a 53% decrease from the \$36.8 million achieved in 2008. Net earnings for the year decreased to \$1.4 million or \$.15 per unit (diluted) from \$5.1 million or \$.71 per unit (diluted) in 2008. The decreases in revenue and net earnings were primarily due to the reduction in customer pricing compared to 2008 and the reduced utilization of Pantera's seven drilling rigs. The number of operating days for the year ended December 31, 2009 decreased by 17% to 1,067 from 1,290 in 2008. Operating days is the total of all drilling days from spud to release and excludes stand-by, moving, rig-up and tear-out days.

Marketing efforts have been focused on the northeast B.C. gas and Peace River heavy oil areas. Two of the Trust's rigs (No.'s 6 and 8) are working in the northeastern area of B.C., and it is anticipated that this presence will continue and potentially grow. Pantera also continues to maintain activity in the Peace River area, drilling heavy oil horizontal wells, and it is expected that Pantera will continue to operate at least two rigs (No.'s 7 and 9) in this area.

In late June and early July 2009, Rigs No. 4, 5, and 7 were relocated to the Chicontepec region in Mexico under short term lease agreements extendible for up to one year on Rig No. 7 and two years on Rigs No. 4 and 5. Drilling operations commenced in late June for Rig No. 7 and early July for the other two. The contracts provided guaranteed revenue with minimum day requirements, achieving more stability of the Trust's revenue stream in a time of lower industry activity and greater uncertainty than experienced in recent years. Due to reduced activity in the Chicontepec region, Rig No. 7 was returned to Canada in December and is now drilling horizontal heavy oil wells under an open day work contract for the winter drilling season in the Peace River area. Rig No. 5 completed its last well in January 2010 and was demobilized to the Nisku area in February, 2010. The third and final rig (No. 4) is still in Mexico and may remain there until later this summer.

Rig 3 is still working in Ontario and will remain there as long as good utilization of the rig is obtained. Rig 3 is the Trust's smallest rig (rated to 1,600 metres) and has been in Ontario for the past two years.

Pantera's rig utilization rate for 2009 was 42% as compared with 50% achieved in 2008. The CAODC reported an average industry utilization rate of 25% in 2009, down from the 40% rate experienced in 2008. Pantera outperformed the industry in terms of rig utilization by 68%. This was largely due to Pantera's relatively new fleet of well equipped drilling rigs, the high activity levels experienced with Pantera's core customer group, and the geographic positioning of its rigs.

On December 10, 2009, Pantera extended its credit facility with its existing lender to December 28, 2010 (the "Maturity date"). The credit facility will remain at the same level, consisting of a \$5 million operating demand revolving loan, a \$35 million committed 364 day extendible revolving credit facility, and a \$500,000 demand standby letter of credit. At December 31, 2009, \$19.5 million was outstanding under the credit facility, as compared to \$21.2 million at December 31, 2008. These loans require interest to be paid monthly with no scheduled principal repayment unless the 364 day extendible revolving credit facility is not extended. If not extended, the loan is capped and repayable over the ensuing twenty four month period by quarterly payments of 1/20th of the amount outstanding at the Maturity date with the final payment covering the remaining balance due two years from the Maturity date. These payments would commence three months after the Maturity date. Amounts borrowed under the operating demand revolving loan will

bear interest at the Trust's option of the bank's prime rate plus .75% or banker's acceptance rate plus 2% per annum and amounts borrowed under the extendible revolving credit facility will bear interest at the Trust's option of the bank's prime rate plus 1% or banker's acceptance rate plus 2.25% per annum.

The Trust provides a distribution reinvestment plan (the "Plan") to unitholders of the Trust. The Plan provides eligible unitholders with the opportunity to reinvest their cash distributions payable toward the purchase of additional trust units from treasury at a price equal to 95% of the average market price on the applicable distribution payment date, as defined in the Plan. Participation in the Plan in 2009 averaged approximately 61% and resulted in the issuance of 833,259 units for net proceeds of \$2.0 million. Funds reinvested in the Trust through the Plan will be available to fund capital expenditures and reduce debt.

During the years ended December 31, 2009 and 2008 the Trust declared for distribution \$3.3 million and \$2.6 million respectively. Of those amounts, \$2.0 million and \$1.2 million were reinvested in additional trust units by unitholders participating in the distribution reinvestment plan, resulting in a net cash outflow to unitholders of \$1.3 million and \$1.4 million, respectively, for the years ended December 31, 2009 and 2008. The Trust declared for distributions 65% of the cash flow from operating activities, compared to 35% in 2008. After taking into consideration the amount of distributions reinvested under the Plan, the cash paid to unitholders for the year equated to 26% of cash flow from operating activities, compared to 19% in 2008. In determining the amount to distribute, consideration is given, but not limited to, Pantera's interest and debt principal repayment obligations, capital requirements to maintain its defined assets, capital investment opportunities, external growth opportunities, the seasonality of Pantera's business, and legislative changes in tax laws by governments in Canada.

OUTLOOK

The Trust's business depends on the level of spending by oil and natural gas companies for exploration and development activities. Therefore, a sustained increase or decrease in the price of oil or natural gas, which could have a material impact on exploration and development activities, could also materially affect the Trust's financial position, results of operations and cash flows. The decline in commodity prices in 2009 has primarily been driven by the deterioration of the global economic environment, including, without limitation, volatility in the capital markets and lack of liquidity in the credit markets. The commodity price declines for oil and natural gas reduced funding for drilling and well servicing activity in North America which resulted in reduced demand for oilfield services. Pantera experienced a reduction in the demand for its services in 2009 in step with the significant downward trend in oil and natural gas prices over the same period. Both the global economy and the natural gas industry have now begun to show improvement.

On October 27, 2009, the CAODC released a forecast for drilling activity for 2010. The forecast calls for 8,523 well completions and an industry rig utilization of 27%. This is a modest improvement over the 8,360 wells completed and industry rig utilization of 25% experienced in 2009. The Petroleum Services Association of Canada ("PSAC") is slightly more optimistic, and its forecast, released on January 27, 2010, calls for 8,960 well completions in western Canada. For 2010, CAODC expects a continued decrease in the Canadian fleet, with equipment moving outside of the country or being retired. The CAODC expects the fleet to average 800 rigs in 2010, down from the average of 854 rigs in 2009.

On March 11, 2010 the Alberta government released high level details surrounding the outcome of the Province's Competitive Review, promising to reduce royalties paid on conventional oil and natural

gas plays. The revamp essentially rolls back royalty levels to the old rates before the current framework was implemented in 2009 and is anticipated to spur drilling activity in the province.

Pantera entered winter of 2010 with five of its seven rigs active. Management expects two of its rigs to have work during spring break up, Rig No. 3 in Ontario and Rig No. 7 in the Peace River area of Alberta. Post spring break up it is expected that Pantera will get back to winter drilling levels with five of its seven rigs remaining active throughout the summer and fall. Of those five rigs, one will be under term contract and the others will be under open day work contracts. Day rates are still significantly lower than the rates experienced in 2007 and 2008, and with the CAODC forecast for a slight increase in drilling activity, it is anticipated that day rates will only show a modest improvement in 2010.

Future growth of the Trust may consist of new rig construction and the possible acquisition of other businesses complementary to the Trust's. The decision to proceed with the construction of each new rig is based on a number of factors, including obtaining a long term drilling commitment.

OPERATING HIGHLIGHTS

Revenue

Revenue for the year ended December 31, 2009 was \$17.4 million, compared to revenue of \$36.8 million in 2008. Revenue for the three months ended December 31, 2009 decreased 64%, from \$11.8 million in 2008 to \$4.2 million in 2009. The decrease in revenue was primarily due to the decrease in rig utilization, from 50% to 42% on an annual basis and a reduction in day rates incurred in order to remain competitive in an industry currently experiencing historically low utilization rates. In addition, the revenue generated by the three rigs located in Mexico under the leasing arrangement is net of operating costs.

By the nature of its business, the Trust serves major customers that account for a large portion of revenue by providing exclusive use of one or more of its seven drilling rigs for specified drilling programs. During the years ended December 31, 2009 and 2008, two customers each provided more than 15% of the Trust's revenue; on a combined basis they accounted for 45% (December 31, 2008 – 38%) of total revenue.

At December 31, 2009, the Trust had contracts in place with two major customers (December 31, 2008 – two) that provide a guaranteed minimum number of revenue generating days at a fixed daily revenue amount.

Operating Expenses

Operating expenses for the year decreased \$12.7 million (55%), from \$23.0 million in 2008 to \$10.3 million in 2009. This decrease in operating expenses, consistent with the year over year decrease in revenue of 64%, was largely due to the combination of a 17% decrease in rig operating days and the exclusion of operating expenses for the three rigs operating in Mexico under the leasing arrangement.

Consistent with the 64% decrease in revenue for the three months ended December 31, 2009 compared to 2008, operating expenses for the fourth quarter decreased \$4.9 million (68%) from \$7.2 million in 2008 to \$2.3 million in 2009.

General and Administrative Expenses

General and administrative expenses ("G&A") for the year ended December 31, 2009 decreased 37% to \$2.4 million from \$3.8 million in 2008 and decreased 53% to \$576,900 for the fourth quarter of 2009 from \$1.2 million for the fourth quarter of 2008. The decrease in G&A is primarily due to incentive compensation being paid in 2008 and not in 2009. In addition, employee benefits, insurance, and professional fees were lower in 2009 than in 2008 and contributed to the significant reduction in G&A.

Depreciation

Depreciation of property and equipment for the year ended December 31, 2009 was \$3.2 million, as compared to \$3.3 million for 2008. Depreciation is calculated on the number of drilling days achieved, therefore depreciation expense increases as utilization of each rig and cost base of property and equipment increases.

In 2009 management determined that certain pieces of equipment were not required to support its ongoing drilling operations and began to actively market the equipment to potential buyers. Included in depreciation is an impairment charge of \$530,800 related to the write-down of this equipment to its fair value less costs to sell.

Interest Expense

Interest expense on debt decreased to \$690,400 in 2009 from \$1.5 million in 2008 due to a decrease in the average bank debt and interest rate. The average bank debt was \$20.8 million, bearing interest at an average rate of 3.31% in 2009 as compared to \$25.5 million, bearing interest at an average rate of 5.6% in 2008. The Canadian prime bank rate averaged 2.40% in 2009 as compared to 4.73% in 2008. The total debt, including Pantera's extendible loan facility and capital leases, at December 31, 2009 was \$19.6 million as compared to \$21.5 million at December 31, 2008.

The Trust is exposed to interest rate risk on debt subject to floating interest rates, being the operating demand loan and extendible loan facility. Pantera pays interest at the Trust's option of the bank's prime rate plus .75% or banker's acceptance rate plus 2.0% per annum on the operating demand loan and at the Trust's option of the bank's prime rate plus 1% or banker's acceptance rate plus 2.25% per annum on the extendible loan facility.

Income Taxes

At December 31, 2009 the tax basis for property and equipment exceeded the accounting basis by an amount in excess of \$2.1 million and other tax balances including financing and unit issue costs exceeded their respective book values by an amount in excess of \$400,000. \$676,000 was recorded in 2009 as a future income tax recovery and reflects the net tax effects of the temporary differences between the amounts for income tax purposes and the carrying amount of assets for financial reporting purposes.

Net Earnings

Pantera recorded net earnings for the year ended December 31, 2009 of \$1.4 million or \$.15 per unit (diluted) compared to net earnings of \$5.1 million or \$.71 per unit (diluted) for 2008. This decrease in net earnings of \$3.7 million was principally attributable to the combination of the reduction in customer pricing compared to 2008 and the 16% decrease in utilization of Pantera's seven conventional rigs.

SUMMARY OF QUARTERLY RESULTS								
	2009				2008			
FINANCIAL HIGHLIGHTS	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<i>(\$000s except for units and per unit amounts)</i>								
Revenue	4,210	3,091	920	9,228	11,784	13,679	3,289	8,054
Gross margin ⁽¹⁾	1,875	2,117	(719)	3,853	4,629	5,359	740	3,068
Net earnings (loss)	639	388	(1,672)	2,032	2,053	2,579	(780)	1,263
Per unit - basic	.07	.04	(.19)	.23	.25	.38	(.12)	.19
- diluted	.08	.04	(.19)	.22	.24	.38	(.12)	.19
Cash flow from (used in) operating activities	596	(1,390)	3,077	2,772	6,198	(2,226)	3,204	80
Per unit - basic	.05	(.15)	.34	.32	.88	(.33)	.48	.01
- diluted	.04	(.15)	.34	.31	.88	(.33)	.46	.01
EBITDA ⁽²⁾	1,271	1,534	(1,351)	3,174	3,391	4,221	(118)	2,392
Per unit - basic	.13	.17	(.15)	.36	.43	.63	(.02)	.37
- diluted	.13	.16	(.15)	.35	.41	.61	(.02)	.37
Capital expenditures	-	84	34	1,474	1,528	3,156	2,545	1,000
OPERATING HIGHLIGHTS								
Number of rigs	7	7	7	7	7	7	7	7
Operating days ⁽³⁾	384	326	49	308	364	496	111	319
Industry utilization average ⁽⁴⁾	37%	20%	7%	36%	42%	46%	19%	56%
Pantera utilization rate	60%	51%	4%	49%	57%	77%	18%	50%

- (1) Gross margin represents revenue less operating expenses. Readers are cautioned that gross margin does not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other issuers. However, Pantera does compute gross margin on a consistent basis for each reporting period. Management believes gross margin is a useful supplemental measure of operating performance and is particularly relevant to readers within the investment community.
- (2) EBITDA means net earnings before interest, taxes, depreciation, amortization, and loss on property and equipment. Readers are cautioned that EBITDA does not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other issuers. However, Pantera does compute EBITDA on a consistent basis for each reporting period. Management believes that, in addition to net earnings, EBITDA is a significant indication of success for Pantera and is particularly relevant to readers within the investment community.
- (3) Operating days is the total of all drilling days from spud to release and excludes stand-by, moving, rig-up and tear-out days.
- (4) Source: Canadian Association of Oilwell Drilling Contractors (CAODC).

Fourth Quarter Analysis

For the three month period ended December 31, 2009 net earnings totaled \$638,900 or \$.08 per unit (diluted) compared to \$2.1 million or \$.24 per unit (diluted) for the three month period ended December 31, 2008. For the three months ended December 31, 2009 compared to the same period in 2008, the number of operating days increased 5% to 384 from 364; however this increase was more than offset by the significant reduction in day rates between Q4 2008 and Q4 2009. The reduction in day rates was necessary to remain active during a period of historically low utilization rates for the industry. The industry utilization rate for the fourth quarter of 2009 was 37% as compared to 42% for the same period in 2008. Pantera's utilization rate for the fourth quarter of 2009 was 60% as compared to 57% for the same period in 2008. In the fourth quarter of 2009, Pantera outperformed the industry by 62% in terms of utilization primarily because of the high activity levels within its core customer group and the versatility of its rigs.

Distributions

DISTRIBUTIONS		
<i>Years Ended December 31</i>	2009	2008
<i>(\$000s)</i>		
Cash flow from operating activities ⁽¹⁾	5,055	7,256
Net earnings	1,387	5,115
Distributions declared ⁽²⁾	3,287	2,563
Excess of cash flow from operating activities over distributions declared	1,768	4,693
Excess (shortfall) of net earnings over distributions declared	(1,900)	2,552

(1) Takes into account changes in non-cash working capital balances.

(2) Cash distributions paid were lower due to the distribution reinvestment plan; \$1.3 million was paid in 2009 (2008 - \$1.4 million).

Consistent with prior years, distributions declared in 2009 were entirely funded through cash flow from operating activities as the above table indicates. For the year ended December 31, 2009 the Trust declared for distribution \$3.3 million, and of that amount, \$2.0 million was reinvested in additional trust units by unitholders participating in the distribution reinvestment plan. This resulted in a net cash outflow to unitholders of \$1.3 million. The Trust declared for distributions 65% of the cash flow from operating activities. After taking into consideration the amount of distributions reinvested under the Plan, the cash paid to unitholders equated to 26% of cash flow from operating activities. In determining the amount to distribute consideration is given, but not limited to, Pantera's interest and debt principal repayment obligations, capital requirements to maintain its defined assets, capital investment opportunities, external growth opportunities, the seasonality of Pantera's business, and legislative change in tax laws by governments in Canada.

FORWARD-LOOKING STATEMENTS

Certain statements included in this release constitute forward-looking statements including, without limitation, such things as revenue expectations, capital expenditures, legislative changes, changes in industry conditions, the impact of weather and other seasonal factors that affect business operations, fluctuations in prevailing commodity prices, the competitive environment to which Pantera is, or may be, exposed in all aspects of its business and expected future availability and utilization of Pantera's rigs. Such forward-looking statements that involve unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of Pantera, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to, general economic and business conditions, the ability of Pantera to implement its business strategy, and changes in, or failure to comply with government regulations, especially health, safety and environment laws, regulations and guidelines. Additional information on these and other factors that could affect Pantera's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) under Pantera's profile. Forward-looking statements in this release may include, but are not limited to, revenue, commodity prices, rig utilization and availability, capital expenditures and legislative changes. For this purpose, any statements that are contained in this discussion that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements often contain terms such as "may", "will", "should", "anticipate", "expects", "intends", and similar expressions. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Furthermore, the forward-looking statements contained herein are made as at the date hereof and Pantera does not

undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

The Trust is an open-ended, investment trust governed by the laws of the Province of Alberta pursuant to the Deed of Trust. The Trust was established for the purpose of investing in property, including the securities of Pantera Drilling Limited Partnership and Pantera Drilling Inc. The beneficiaries of the Trust are the holders of the trust units. The business of Pantera involves the provision of contract drilling services to oil and natural gas exploration and production companies operating in Canada.

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