

INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF

DEEPWELL ENERGY SERVICES TRUST

AS AT AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2007
(unaudited)

As per the disclosure requirements of the National Instrument 51-102, Part 4, subsections 4.3(3)(a), this note is to inform readers that Deepwell has elected not to review these financial statements and notes with its auditors.

The accompanying unaudited interim consolidated financial statements of the Trust as at and for the three and six months ended June 30, 2007 have been internally prepared and are the responsibility of Deepwell's management.

DEEPWELL ENERGY SERVICES TRUST

INTERIM CONSOLIDATED BALANCE SHEETS

(unaudited)

As at	June 30, 2007	June 30, 2006
Assets		
Current assets:		
Cash	-	\$455,921
Accounts receivable	\$2,033,158	1,836,955
Inventory (Note 4)	121,584	123,129
Prepaid expenses and deposits (Note 5)	1,867,970	194,605
	<u>4,022,712</u>	<u>2,610,610</u>
Property and equipment	39,570,163	34,946,579
Intangible assets	3,089,569	3,572,762
Goodwill	7,157,402	6,196,849
Financial security deposits (Note 5)	-	1,219,648
	<u>\$53,839,846</u>	<u>\$48,546,448</u>
Liabilities		
Current liabilities:		
Bank indebtedness	\$1,160,266	-
Accounts payable and accrued liabilities	1,859,970	\$376,177
Distributions payable	261,360	417,305
Current portion of long-term debt	375,000	194,444
	<u>3,656,596</u>	<u>987,926</u>
Long-term debt	13,125,000	6,736,168
Asset retirement obligations	744,652	687,051
	<u>17,526,248</u>	<u>8,411,145</u>
Unitholders' Equity		
Trust units (Note 3)	40,443,363	40,568,721
Contributed surplus	786,170	-
Deficit	(4,915,935)	(433,418)
	<u>36,313,598</u>	<u>40,135,303</u>
	<u>\$53,839,846</u>	<u>\$48,546,448</u>

See accompanying notes to interim consolidated financial statements.

DEEPWELL ENERGY SERVICES TRUST

INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND ACCUMULATED DEFICIT

(unaudited)	Three months ended June 30, 2007	Six months ended June 30, 2007	For the 64 days ended June 30, 2006
Revenues	\$2,532,151	\$6,959,661	\$1,778,929
Expenses			
Operating	1,190,739	3,109,961	948,937
Selling and administrative	558,849	1,155,393	229,889
Depreciation and accretion	782,179	1,598,686	480,317
Amortization of intangible assets	82,234	164,468	-
Unit-based compensation	359,600	534,737	-
Interest on short-term debt	13,141	30,641	-
Interest on long-term debt	216,309	404,370	107,946
Amortization of deferred financing costs	33,452	57,380	-
Gain on sale of property and equipment (Note 7)	(17,500)	(10,239)	-
Loss on write-off of property and equipment (net of accrued insurance proceeds)	-	367,702	-
Fire-related expenses	-	162,119	-
	3,219,003	7,575,218	1,767,089
Income (loss) before taxes	(686,852)	(615,557)	11,840
Future income tax recovery (Note 6)	62,651	87,201	-
Net income (loss)	(624,201)	(528,356)	11,840
Accumulated surplus (deficit), beginning of period	(3,507,491)	859,027	-
Distributions to unitholders	(784,243)	(5,246,606)	(445,258)
Accumulated surplus (deficit), end of period	\$(4,915,935)	\$(4,915,935)	\$(433,418)
Net income (loss) per trust unit:			
Basic	\$(0.14)	\$(0.12)	\$0.00
Diluted	\$(0.14)	\$(0.12)	\$0.00
Weighted average number of trust units outstanding:			
Basic	4,357,724	4,356,867	4,356,000
Diluted	4,357,744	4,356,867	4,356,000

See accompanying notes to interim consolidated financial statements.

DEEPWELL ENERGY SERVICES TRUST

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Three months ended June 30, 2007	Six months ended June 30, 2007	For the 64 days ended June 30, 2006
Operating activities			
Net income (loss)	\$(624,201)	\$(528,356)	\$11,840
Non-cash items:			
Depreciation and accretion	782,179	1,598,686	480,317
Amortization of deferred financing costs	33,452	57,380	-
Amortization of intangibles	82,234	164,468	-
Future income tax recovery (Note 6)	(62,651)	(87,201)	-
Unit-based compensation	359,600	534,738	-
Loss on write-off of property and equipment	-	746,332	-
Gain on sale of property and equipment (Note 7)	(17,500)	(10,239)	-
Change in non-cash working capital	1,404,547	(76,367)	727,606
Cash flow from operating activities	1,957,660	2,399,441	1,219,763
Investing activities			
Financial security deposits (Note 5)	70,404	55,826	(1,219,648)
Business acquisitions (PDS and Rycroft)	-	-	(42,833,889)
Purchase of property and equipment	(1,613,245)	(2,451,930)	(193,768)
Proceeds on sale of property and equipment	80,000	143,500	-
Change in non-cash investing working capital	184,880	(1,099,737)	-
Cash flow from investing activities	(1,277,961)	(3,352,341)	(44,247,305)
Financing activities			
Net proceeds from issuance of units	-	-	37,008,721
Net proceeds from long-term debt	500,000	2,000,000	6,920,000
Unit issuance costs	(337,556)	(387,074)	-
Distributions to unitholders	(753,183)	(1,849,153)	(445,258)
Cash flow from financing activities	(590,739)	(236,227)	43,483,463
Change in cash	88,960	(1,189,127)	455,921
Cash (bank indebtedness), beginning of period	(1,249,226)	28,861	-
Cash (bank indebtedness), end of period	\$(1,160,266)	\$(1,160,266)	\$455,921
Supplementary information			
Cash interest paid	\$229,450	\$435,011	\$107,946

See accompanying notes to interim consolidated financial statements.

DEEPWELL ENERGY SERVICES TRUST

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2007

(unaudited)

1. Nature of the Organization

Deepwell Energy Services Trust (the "Trust" or "Deepwell") is an open ended un-incorporated investment trust governed by the laws of the Province of Alberta and created pursuant to a Declaration of Trust dated April 21, 2006. The principal undertaking of the Trust is to engage in the oilfield waste management business indirectly through its wholly owned subsidiary, Deepwell Energy Services LP ("Deepwell LP") and its subsidiaries Deepwell Energy Services Commercial Trust and Deepwell Energy Services Ltd. Deepwell LP provides oilfield waste management services, including treating, processing and disposing of oilfield wastes and custom treating of oil/water emulsions.

2. Significant Accounting Policies

Basis of presentation

The interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, are reported in Canadian dollars and are consistent with those set out in the audited consolidated financial statements for the 247 day period ended December 31, 2006. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. The most significant estimates relate to depreciation, amortization, asset retirement obligations, accretion, unit-based compensation, recoverability of goodwill and intangibles. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the Trust's accounting policies as summarized in the notes to the consolidated financial statements for the 247 day period ended December 31, 2006.

Certain information and disclosure normally required to be included in notes to annual consolidated financial statements have been condensed or omitted from these notes. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto in the Trust's annual report for the 247 day period ended December 31, 2006. The consolidated interim financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements for the year ended December 31, 2006 except for the adoption of new accounting standards presented in the interim notes to the consolidated financial statements for the three months ended March 31, 2007.

Certain comparative amounts have been reclassified to conform to the current period's presentation and no six-month comparative numbers have been presented because Deepwell and its subsidiaries commenced operations on April 28th, 2006.

3. Unitholders' equity

(a) Trust unit options and unit-based compensation

As at June 30, 2007, a total of 375,300 options issued pursuant to the Trust incentive stock option plan ("Option Plan") were outstanding (2006 - nil). As at June 30, 2007 73,800 options were exercisable and the weighted average contractual life remaining is 4.31 years. The total number of outstanding options shall not exceed 10 percent of the outstanding Trust Units. Except for the 73,800 issued to executives during the period in lieu of a cash bonus for 2006 (vesting immediately), all options carry a five-year term and vest equally over a period of three years from the date of grant. The exercise price of each option is based upon the weighted average trading price for a period prior to the date of grant. The exercise price is adjusted downwards by 100 percent of the amount of distributions paid on outstanding Trust Units. As at June 30, 2007, the exercise prices of outstanding options ranged from \$6.42 to \$9.80 per unit and the weighted average exercise price of granted options was \$9.00 per unit. The Trust recorded unit option compensation expense and contributed surplus of \$359,600 during the period.

	June 30, 2007
Trust unit options outstanding	375,300
Trust unit options exercisable	73,800
Range of exercise prices (per Unit)	\$6.42 to \$9.80
Weighted average remaining contractual life (years)	4.31
Weighted average exercise price (per Unit)	\$9.00

(b) Regular Trust units

Opening balance	\$40,440,860
Unit issue costs	(\$28,557)
Distribution re-investment plan	\$31,060
	\$40,443,363

(c) Distributions to Unitholders

For the six months ended June 30, 2007, the Trust declared distributions to Unitholders in accordance with the following schedule:

Period	Record date	Payment date	Cash per Trust unit	Amount
January 2007	January 31, 2007	February 15, 2007	\$0.0958	\$417,305
February 2007	February 28, 2007	March 15, 2007	\$0.0958	417,305
March 2007	March 31, 2007	April 13, 2007	\$0.0600	261,360
April 2007	April 30, 2007	May 15, 2007	\$0.0600	261,360
May 2007	May 31, 2007	June 15, 2007	\$0.0600	261,221
June 2007	June 30, 2007	July 13, 2007	\$0.0600	261,662
Distributions declared to unitholders for the six months ended, June 30, 2007				1,880,213
Accumulated distributions, December 31, 2006				3,366,393
Accumulated distributions, June 30, 2007				\$5,246,606

(d) Weighted average units outstanding

	Three months ended June 30, 2007	Six months ended June 30, 2007	For the 64 days ended June 30, 2006
Basic	4,357,724	4,356,867	4,356,000
Diluted	4,357,744	4,356,867	4,356,000

(e) Dividend re-investment plan

During the three months ended June 30, 2007, the Trust adopted a distribution reinvestment plan (the "DRIP"). The DRIP, to the extent that Unitholders participate, will provide the Trust with additional cash for growth. The DRIP allows eligible Unitholders of the Trust to direct that their cash distributions be reinvested in additional Trust units. The cash distributions will be re-invested at the discretion of Deepwell Energy Services Ltd. either by acquiring Trust units issued from treasury at 95 percent of the average market price (as defined in the DRIP) or by acquiring Trust units at prevailing market prices.

4. Inventory

As of January 1, 2008, Deepwell is required to replace the existing inventory policy of lower of weighted average cost and net realizable value. The new standard requires inventory to be valued on a first-in, first-out or weighted average basis. The application of this standard is not expected to have a material impact on the consolidated financial statements.

5. Financial security deposits

During the three months ended June 30, 2007, Deepwell secured three letters of guarantee in the aggregate amount of \$1,909,296. These letters automatically renew and carry an initial term of one year. Two of the letters of guarantee replace \$1,377,648 in cash deposits previously held by the Alberta Energy Utilities Board for abandonment and reclamation – refund of these deposits was received subsequent to the end of the period. The third letter of guarantee establishes security for the Trust's Claresholm facility.

6. Income taxes

On June 22, 2007, Bill C-52, an Act to implement certain provisions of the March 19, 2007 federal budget, received royal assent. Bill C-52 includes legislative provisions, the SIFT Trust Legislation, to implement proposals originally announced on October 31, 2006, which are now in force, relating to the taxation of certain publicly-traded trusts and their unitholders under the Income Tax Act. The SIFT Trust Legislation generally will apply to trusts that are resident in Canada for purposes of the Income Tax Act, that hold one or more "non-portfolio properties", and the units of which are listed on a stock exchange or other public market (a "specified investment flow-through trust" or "SIFT trust"). A SIFT trust effectively is subject to tax on its income from non-portfolio properties and taxable capital gains from dispositions of non-portfolio properties paid, or made payable, to unitholders at a rate comparable to the combined federal and provincial corporate income tax rate. Distributions of such income to unitholders should be treated as eligible dividends paid by a taxable Canadian corporation.

GAAP requires Deepwell to recognize future income tax assets and liabilities based on estimated temporary differences expected as at January 1, 2011 and on the basis of its structure at the balance sheet date. The Trust has completed preliminary consolidated analysis and has estimated a future income tax asset. A valuation allowance has been applied against this amount and therefore the potential impact is not reflected in the interim consolidated financial statements as at and for the six months ended June 30, 2007.

7. Gain on sale of property and equipment

For the three months ended June 30, 2007, non-operating assets were sold for total proceeds of \$80,000 with a recognized gain on disposal of \$17,500.

8. Subsequent events

On July 9, 2007, the Trust closed a private placement of Trust units (the Private Placement). Upon closing, 582,362 units of the Trust were issued for gross proceeds of \$3.5 million. The issue price for the Private Placement was set at the same price as the Trust's rights offering, which expired on July 31, 2007 (the Rights Offering). The Rights Offering was fully subscribed and a total of 2,180,515 Trust units were issued at a price of \$6.01 per Trust unit for gross proceeds of \$13.1 million.