

INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF

DEEPWELL ENERGY SERVICES TRUST

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2008
(unaudited)

As per the disclosure requirements of National Instrument 51-102, Part 4, subsection 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 financial statements of the Trust as at and for the three months ended March 31, 2008 have been internally prepared and are the responsibility of the Trust's management.

DEEPWELL ENERGY SERVICES TRUST

CONSOLIDATED BALANCE SHEETS

As at	March 31, 2008 (unaudited)	December 31, 2007 (audited)
Assets		
Current assets:		
Accounts receivable	\$ 3,713,062	\$ 2,746,918
Inventory	318,416	219,991
Prepaid expenses and deposits	188,880	214,920
	<hr/> 4,220,358	<hr/> 3,181,829
Property and equipment (Note 3)	48,972,926	46,982,025
Intangible assets (Note 4)	2,841,070	2,925,102
Goodwill	7,157,402	7,157,402
	<hr/> \$ 63,191,756	<hr/> \$ 60,246,358
Liabilities		
Current liabilities:		
Bank indebtedness	\$ 411,395	\$ 40,537
Demand loan	-	550,000
Accounts payable and accrued liabilities	2,982,922	3,631,316
Distributions payable	430,426	429,792
Current portion of long-term debt	2,500,000	933,333
	<hr/> 6,324,743	<hr/> 5,584,978
Long-term debt (Note 6)	6,500,000	3,866,667
Asset retirement obligations	1,034,250	1,016,449
	<hr/> 13,858,993	<hr/> 10,468,094
Unitholders' Equity		
Trust units (Note 5)	56,281,748	56,229,626
Contributed surplus (Note 5)	1,186,979	1,066,549
Deficit	(8,135,964)	(7,517,911)
	<hr/> 49,332,763	<hr/> 49,778,264
	<hr/> \$ 63,191,756	<hr/> \$ 60,246,358

See accompanying notes to interim consolidated financial statements.

On behalf of the Board of Trustees:

(signed) "Jay B. Simmons"

Jay B. Simmons, Trustee

(signed) "Murray W. Montgomery"

Murray W. Montgomery, Trustee

DEEPWELL ENERGY SERVICES TRUST

INTERIM CONSOLIDATED STATEMENTS OF INCOME, OTHER COMPREHENSIVE INCOME AND DEFICIT

(unaudited)

	For the three months ended March 31, 2008		For the three months ended March 31, 2007	
Revenues	\$	5,127,690	\$	4,427,510
Expenses				
Operating		2,727,653		1,919,221
Selling and administrative		477,714		596,545
Depreciation and accretion		923,777		816,507
Amortization of intangible assets		84,032		82,234
Unit-based compensation		120,430		175,137
Interest on short-term debt		10,188		17,500
Interest on long-term debt		95,910		188,061
Financing fees		3,817		23,928
Loss on sale or disposal of property and equipment		11,416		7,261
Loss on write-off of property and equipment (net of accrued insurance proceeds)		-		367,701
Fire-related expenses		-		162,119
		4,454,937		4,356,214
Income before taxes		672,753		71,296
Future income tax recovery		-		(24,550)
Net income and comprehensive income		672,753		95,846
Deficit, beginning of period	\$	(7,517,911)	\$	(2,507,365)
Distributions to unitholders (Note 5d)		(1,290,806)		(1,095,970)
Deficit, end of period	\$	(8,135,964)	\$	(3,507,489)
Net income per trust unit:				
Basic and diluted	\$	0.09	\$	0.02
Weighted average number of trust units outstanding:				
Basic and diluted		7,173,770		4,356,000

DEEPWELL ENERGY SERVICES TRUST

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	For the three months ended March 31, 2008	For the three months ended March 31, 2007
Operating activities		
Net income	\$ 672,753	\$ 95,846
Non-cash items:		
Depreciation and accretion	923,777	816,507
Financing fees	-	23,928
Amortization of intangible assets	84,032	82,234
Future income tax recovery	-	(24,550)
Unit-based compensation (Note 5)	120,430	175,137
Loss on sale or disposal of property and equipment	11,416	7,261
Loss on write-off of property and equipment	-	746,332
Change in non-cash working capital	(520,636)	(1,324,969)
Cash flow from operating activities	1,291,772	597,726
Investing activities		
Financial security deposits	-	(14,578)
Purchase of property and equipment	(2,911,793)	(776,186)
Proceeds on sale of property and equipment	3,500	1,000
Change in non-cash investing working capital	(1,166,287)	(1,284,617)
Cash flow from investing activities	(4,074,580)	(2,074,381)
Financing activities		
Share issuance costs	-	(49,517)
Proceeds from long-term debt	4,200,000	1,500,000
Repayments on demand loan	(550,000)	-
Distributions paid to unitholders	(1,238,049)	(1,251,915)
Cash flow from financing activities	2,411,951	198,568
Decrease in cash	(370,858)	(1,278,087)
(Bank indebtedness) cash, beginning of period	(40,537)	28,861
Bank indebtedness, end of period	\$ (411,395)	\$ (1,249,226)
Supplementary information		
Cash interest paid	\$ 106,098	\$ 205,561

DEEPWELL ENERGY SERVICES TRUST

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
FOR THE PERIOD FROM JANUARY 1, 2008 TO MARCH 31, 2008

1. Nature of the Organization

Deepwell Energy Services Trust (the "Trust" or "Deepwell") is an open-ended unincorporated 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

(a) Basis of presentation

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP) and are reported in Canadian dollars and are consistent with those set out in the audited consolidated financial statements as at December 31, 2007. 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, income taxes, unit-based compensation and 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 year ended December 31, 2007.

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 year ended December 31, 2007. 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, 2007. Certain comparative amounts have been reclassified to conform to the current period's presentation.

(b) Changes in Accounting Policies

(i) Adopted in 2008

In the first quarter of 2008, the Trust adopted three new Handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Inventories

Effective January 1, 2008, the Trust adopted the CICA's new recommendation for inventory under Handbook Section 3031 "Inventories". The new Section provides guidance on the measurement and disclosure of inventories. The new recommendation establishes that inventories should be measured at the lower of cost and net realizable value and provides guidance on the determination of cost. There was no material impact on the financial statements from the retrospective application of the new accounting recommendations.

Financial Instruments Disclosures and Presentation:

Section 3862 "Financial Instruments – Disclosure", describes the required disclosures related to the significance of financial instruments on the Trust's financial position and performance and the nature and extent of risks arising from financial instruments to which the Trust is exposed and how the Trust manages those risks.

Section 3863 "Financial Instruments – Presentation", describes the standards for presentation of financial instruments and non-financial derivatives and carries forward, unchanged, the presentation requirements of Section 3861 "Financial Instruments – Disclosure and Presentation" (notes 7 and 8).

Capital Management

Section 1535 "Capital Disclosures" establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose the following:

- its objectives, policies and processes for managing capital;
- summary quantitative data about what it manages as capital;
- whether during the period it complied with any imposed capital requirements to which it is subject; and
- when the entity has not complied with such requirements, the consequences of such non-compliance.

(ii) Adopted in 2007

Comprehensive Income, Financial Instruments and Hedges

In the first quarter of 2007, the Trust adopted the following new Handbook sections issued by the CICA:

Section 1530 *“Comprehensive Income”* introduced a new financial statement which shows the change in equity of an enterprise from transactions and other events and circumstances from non-owner sources.

Section 3855 *“Financial Instruments — Recognition and Measurement”* established standards for recognizing and measuring financial instruments, namely financial assets, financial liabilities and derivatives.

Section 3861 *“Financial Instruments — Disclosure and presentation”* requires entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments on the entity’s financial position, performance and cash flows. Also this section enables users through disclosure to evaluate the nature and extent of an entity’s use of financial instruments, the business purposes they serve and the risks associated with the instruments and management policies for mitigating and managing those risks.

Section 3865 *“Hedges”* whose application is optional, established how hedge accounting may be applied. The Trust, in accordance with its risk management strategy, decided to apply hedge accounting to its interest rate swaps and treat them as cash flow hedges. These derivatives are marked-to-market at each period-end and resulting gains/losses are recognized in comprehensive income to the extent the hedging relationship is effective.

Please refer to the audited consolidated financial statements for the year ended December 31, 2007 for more detailed information.

(iii) Recently issued

Goodwill and Intangible Assets

In February 2008, the CICA issued a new section, Section 3064 *“Goodwill and Intangible Assets”* replacing Section 3062 *“Goodwill and Other Intangible Assets”* as well as Section 3450 *“Research and Development Costs”*. Section 3064 states that upon their initial identification, intangible assets are to be recognized as assets only if they meet the definition of an intangible asset and the recognition criteria. Section 3064 also provides further information on the recognition of internally generated intangible assets (including research and development costs). As for subsequent measurement of intangible assets, goodwill, and disclosure, Section 3064 carries forward the requirements of Section 3062. The new Section applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Trust is currently evaluating the effect of these new standards on its results, financial position and cash flows.

International Financial Reporting Standards

On February 13, 2008, the Accounting Standards Board confirmed the date of changeover from GAAP to International Financial Reporting Standards (IFRS). Canadian publicly accountable enterprises must adopt IFRS for their interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Trust is currently developing its IFRS conversion plan and evaluating the effect of the new standards on its consolidated financial statements.

3. Property and equipment

Asset class	As at March 31, 2008			As at December 31, 2007
	Cost	Accumulated depreciation	Net book value	Net book value
Disposal wells	\$29,207,252	\$3,878,319	\$25,328,933	\$25,364,798
Pipelines	3,523,204	271,642	3,251,562	3,227,259
Tanks	4,151,405	199,881	3,951,524	2,697,002
Oilfield service equipment	4,704,026	806,031	3,897,995	2,400,773
Site improvements	8,214,176	324,350	7,889,827	2,362,439
Future sites	927,384	-	927,384	8,258,067
Buildings	2,866,558	88,431	2,778,127	1,858,293
Computer equipment	659,990	149,865	510,125	483,950
Vehicles	416,379	77,572	338,807	229,170
Furniture and fixtures	121,144	31,528	89,616	90,772
Leasehold improvements	12,784	3,757	9,027	9,502
	\$54,804,302	\$5,831,376	\$48,972,926	\$46,982,025

4. Intangible assets

	For the quarter ended March 31, 2008			As at December 31, 2007
	Cost	Accumulated amortization	Net book value	Net book value
Completions and contracts	\$2,115,000	\$174,537	\$1,940,463	\$1,964,792
Customer relationships	1,310,000	426,726	883,275	938,977
Non-competition agreements	48,000	30,667	17,333	21,333
	\$3,473,000	\$631,930	\$2,841,070	\$2,925,102

5. Unitholders' equity

(a) Regular Trust units

The Trust is authorized to issue an unlimited number of Regular Trust units.

Trust units are redeemable at any time at the option of the unitholder. The redemption price is equal to the lesser of the 90 percent of the average market price for the 10 days immediately prior to the date the units were tendered for redemption and the closing market price on the date the units were tendered for redemption.

	For the quarter ended March 31, 2008		For the year ended December 31, 2007	
	Number	Amount	Number	Amount
Balance, beginning of period	7,163,200	\$56,229,626	4,356,000	\$40,490,377
Issued upon rights offering July 9, 2007	-	-	2,180,515	13,104,895
Issued upon private placement July 31, 2007	-	-	582,362	3,499,996
Issued from Distribution Reinvestment Plan	10,570	52,122	44,323	264,184
Trust unit issue costs	-	-	-	(1,129,826)
Balance, end of period	7,173,770	\$56,281,748	7,163,200	\$56,229,626

(b) Trust Unit Options

The 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.

Options have been estimated using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 4.25 percent; volatility of 45 percent. The impact of monthly distributions and corresponding changes in exercise price during the life of the options are assumed to be equal and offsetting, and so no provision is made in the pricing model for either factor.

Options outstanding as at March 31, 2008				Options exercisable as at March 31, 2008	
Exercise price	Number of options	Weighted average contractual life	Weighted average exercise price	Number of options	Weighted average exercise price
\$5.94	206,971	4.38	\$5.94	73,800	\$5.94
6.14	2,000	4.10	6.14	-	6.14
8.61	282,500	3.39	8.61	94,167	8.61
8.92	14,500	3.50	8.92	4,833	8.92
9.26	1,000	3.48	9.26	333	9.26
	506,971	3.80	\$7.52	173,133	\$7.48

Options outstanding as at December 31, 2007				Options exercisable as at December 31, 2007	
Exercise price	Number of options	Weighted average contractual life	Weighted average exercise price	Number of options	Weighted average exercise price
\$6.12	206,971	4.64	\$6.12	73,800	\$6.12
6.32	2,000	4.36	6.32	-	-
8.79	282,500	3.64	8.79	94,167	8.79
9.10	14,500	3.76	9.10	4,833	9.10
9.44	1,000	3.73	9.44	333	9.44
	506,971	4.04	\$7.70	173,133	\$7.66

There were no Trust unit options granted, cancelled, expired or exercised during the quarter.

(c) Contributed surplus

	For the quarter ended March 31, 2008	For the year ended December 31, 2007
Balance, beginning of period	\$1,066,549	\$251,432
Unit-based compensation expense	120,430	815,117
Balance, end of period	\$1,186,979	\$1,066,549

(d) Distributions to unitholders

The Trust declares monthly distributions of cash to unitholders of record as at the close of business on each distribution record date. Pursuant to the declaration of trust, the Trust is required to pay to unitholders the net income of the Trust determined pursuant to the provisions of the Income Tax Act (Canada). Such distributions are recorded as reductions of equity upon declaration of the distribution. During the period, the Trust declared and paid distributions to the unitholders in accordance with the following schedules:

Period	Record date	Payment date	Distribution per Trust unit	Distribution Amount
January 2008	January 31, 2008	February 15, 2008	\$0.06	\$430,112
February 2008	February 29, 2008	March 14, 2008	0.06	430,268
March 2008	March 31, 2008	April 15, 2008	0.06	430,426
Distributions declared to unitholders during the period				1,290,806
Balance, beginning of period				7,819,342
Balance, end of period				\$9,110,148

(e) Weighted average Trust units outstanding

	For the quarter ended March 31, 2008	For the year ended December 31, 2007
Basic	7,173,770	5,569,288
Diluted	7,173,770	5,570,403

6. Credit facilities

The Trust renewed its existing credit facilities on May 31, 2007 with a Canadian chartered bank (the "credit facilities"), which consist of the following:

(a) Demand loan

Under the credit facilities, the Trust has a \$2,000,000 demand revolving operating loan. During the period, interest ranged from the lender's prime rate plus 0.125 percent to 1.400 percent, according to the funded debt to EBITDA ratio. As of March 31, 2008 the borrowing base for the demand loan was at \$2,000,000 and the amount drawn was nil.

(b) Long-term debt

Under the credit facilities, the Trust has a \$15,500,000, 364-day extendible revolving term loan committed to May 29, 2008. No set principal repayment has been established and the Trust has the ability to repay, borrow and repay again until the 364-day term expires. Interest ranges from the lender's prime rate plus 0.125 percent to 1.400 percent per annum. Interest is calculated monthly and paid in arrears. As at March 31, 2008 an aggregate of \$9,000,000 was outstanding of which \$2,500,000 is current. The

revolving period extends to May 29, 2008, at which time the credit facility is eligible for renewal. Should this renewal not be extended, the credit facility reverts to a three-year term with the monthly principal repayments commencing on June 26, 2008.

As security for the credit facilities, Deepwell LP granted lenders a security interest over all of its assets. In addition, the Trust and its subsidiaries guaranteed the indebtedness of Deepwell LP under the credit facilities with such guarantee being secured by all of the assets of each such guarantor. In respect of any proceeds resulting from the enforcement of the credit facilities or the above-mentioned guarantees, the lenders, as creditors, will have a prior ranking claim relative to the units.

7. Financial Instruments

The following table presents the carrying value and fair value of financial instruments as at March 31, 2008:

Assets (Liabilities) carried at cost/amortized cost	Carrying value		Fair value
Bank indebtedness	\$	(411,395)	\$ (411,395)
Accounts receivable		3,713,062	3,713,062
Accounts payable and accrued liabilities		(2,982,922)	(2,982,922)
Distributions payable		(430,426)	(430,426)
Long-term debt	\$	(9,000,000)	\$ (9,000,000)

Fair value is based on quoted market prices when available. However, when financial instruments lack an available trading market, fair value is determined using management's estimates and is calculated using market factors with similar characteristics and risk profiles. These amounts represent point-in-time estimates and may not reflect fair value in the future. These calculations are subjective in nature, involve uncertainties and are a matter of judgment.

The following summarizes the methods and assumptions used in estimating the fair value of the Trust's financial instruments:

- i) Short-term financial instruments approximate their carrying amount due to the relatively short period to maturity. These include cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities and distributions payable.
- ii) Long-term debt with a variable interest rate is carried at cost, which reflects fair value as the interest rate is the current market rate available to the Trust.

8. Capital Disclosures

The Trust's objective with the management of its capital is to allow it to maintain investor, creditor and market confidence and to sustain future development of the business. The Trust seeks to maintain a balance between the level of long-term debt and unitholders' equity to ensure access to capital to fund growth and working capital given the cyclical nature of the oilfield services sector. The Trust has externally imposed capital requirements as governed through the Credit Facilities. The Trust monitors capital on the basis of funded debt to EBITDA (earnings before interest, income taxes, depreciation and amortization). The ratio of funded debt to EBITDA is to be maintained under 2.00:1. As at March 31, 2008 the ratio was 1.82:1.

9. Financial Risk Management

The Trust's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Trust's financial performance. The Trust manages its risks and risk exposures through a combination of financial instruments, insurance, a system of internal and disclosure controls and sound business practices. The Trust does not purchase any derivative financial instruments for speculative purposes. Risk management is primarily the responsibility of the Trust's corporate finance function. Significant risks are regularly monitored and actions are taken, when appropriate, according to the Trust's approved policies, established for that purpose. In addition, as required, these risks are reviewed with the Trust's Board of Directors.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Trust is exposed to interest rate risk with respect to the utilization of floating rate credit facilities to finance operations which are subject to floating interest rates ranging from 0.125 percent to 1.4 percent. The Trust has the option to renew these loans annually.

Credit concentration

The Trust has a concentration of credit risk because substantially all oil revenues are accumulated by the marketer, and paid in full the month following receipt. The Trust manages this risk by entering into sales contracts with credit worthy counterparties,

reviewing its exposure to individual entities on a regular basis, and delaying repayment of oil credits beyond the settlement date. The carrying amount of accounts receivable is reduced through the use of an allowance account and the amount of the loss is recognized in the earnings statement within selling, general, and administrative expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for accounts receivable. Subsequent recoveries of amounts previously written off are credited against selling, general, and administrative expenses in the statements of other comprehensive income and deficit.

Liquidity Risk

Investments to drive growth can require significant financial resources. A range of funding alternatives is available to the Trust including cash flow provided by operations, additional debt, the issuance of equity or a combination thereof. Under the terms of the Trust's bank credit facilities currently in place, the \$9,000,000 of long-term debt outstanding is revolving, although the Trust retains the right to repay, without penalty, amounts as deemed appropriate. The Trust has remained within all bank debt covenants and foresees no change in its ability to meet these covenants in 2008.

Commodity Price Risk

The revenue, cash flow and earnings of the Trust are substantially dependent upon and affected by the level of activity associated with oil and natural gas exploration and production. Both short-term and long-term trends in oil and natural gas prices affect the level of such activity. Worldwide military, political and economic events, including initiatives by the Organization of Petroleum Exporting Countries, may affect both the demand for and the supply of oil and natural gas. Weather conditions, governmental regulation, levels of consumer demand, the availability of pipeline capacity and other factors beyond Deepwell's control may also affect the supply of and demand for oil and natural gas, leading to future price volatility.

10. Seasonality

In Canada, the level of activity in the oil and natural gas industry is influenced by seasonal weather patterns. Spring break-up during the second quarter of each year leaves many secondary roads temporarily incapable of supporting the weight of heavy equipment, which results in severe restrictions on the provision of energy services. The timing and duration of spring break-up are dependent on weather patterns and the duration of this period will have an impact on the level of business of the Trust.

11. Subsequent events

The Trust declared a cash distribution for the period April 1, 2008 to April 30, 2008 at \$0.06 per unit to be paid on May 15, 2008.

12. Comparative figures

Certain of the comparative figures have been reclassified to conform to the current year's financial statement presentation.