

INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF

DEEPWELL ENERGY SERVICES TRUST

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 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 financial statements of the Trust as at and for the three and nine months ended September 30, 2007 have been internally prepared and are the responsibility of Deepwell's management.

DEEPWELL ENERGY SERVICES TRUST

INTERIM CONSOLIDATED BALANCE SHEETS

As at	September 30, 2007 (unaudited)	December 31, 2006 (audited)
Assets		
Current assets:		
Cash	-	\$28,861
Accounts receivable	\$2,966,485	2,729,106
Inventory (Note 5)	187,234	80,205
Deferred financing costs	25,454	39,880
Prepaid expenses and deposits	397,634	203,110
	<u>3,576,807</u>	<u>3,081,162</u>
Property and equipment	41,607,811	39,565,606
Intangible assets	3,007,336	3,254,037
Goodwill	7,157,402	7,157,402
Financial security deposits	-	1,433,474
	<u>\$55,349,356</u>	<u>\$54,491,681</u>
Liabilities		
Current liabilities:		
Bank indebtedness	\$898,261	-
Accounts payable and accrued liabilities	2,118,449	\$3,538,986
Distributions payable	428,485	417,305
	<u>3,445,195</u>	<u>3,956,291</u>
Long-term debt	-	11,500,000
Future income taxes (Note 4)	-	87,201
Asset retirement obligations	760,106	713,744
	<u>4,205,301</u>	<u>16,257,236</u>
Unitholders' Equity		
Trust units (Note 3)	56,175,472	40,490,377
Contributed surplus	927,541	251,432
Deficit	(5,958,958)	(2,507,364)
	<u>51,144,055</u>	<u>38,234,445</u>
	<u>\$55,349,356</u>	<u>\$54,491,681</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 September 30, 2007	Three months ended September 30, 2006	Nine months ended September 30, 2007	154 days ended September 30, 2006
Revenues	\$3,513,654	\$3,808,795	\$10,473,315	\$5,587,724
Expenses				
Operating	1,584,125	2,040,285	4,693,785	2,989,222
Selling and administrative	520,071	448,787	1,675,765	668,055
Depreciation and accretion	824,096	560,249	2,422,782	1,045,541
Amortization of intangible assets	82,234	136,803	246,701	136,803
Unit-based compensation	141,673	53,621	676,111	53,621
Interest on short-term debt	11,235	4,601	41,876	15,046
Interest on long-term debt	99,606	97,868	503,976	179,781
Amortization of deferred financing costs	9,545	15,588	66,925	36,821
Gain on sale of property and equipment	-	-	(10,239)	-
Loss on write-off of property and equipment (net of accrued insurance proceeds)	-	-	367,702	-
Fire-related expenses	-	-	162,119	-
	3,272,585	3,357,802	10,847,503	5,124,890
Income (loss) before taxes	241,069	450,993	(374,188)	462,834
Future income tax recovery (Note 4)	-	-	87,201	-
Net income (loss)	241,069	450,993	(286,987)	462,834
Accumulated deficit, beginning of period	(4,915,935)	(433,417)	(2,507,364)	\$0
Distributions to unitholders	(1,284,092)	(1,669,220)	(3,164,607)	(2,114,478)
Accumulated deficit, end of period	\$(5,958,958)	\$(1,651,644)	\$(5,958,958)	\$(1,651,644)
Net income (loss) per trust unit:				
Basic	\$0.04	\$0.10	\$(0.06)	\$0.11
Diluted	\$0.04	\$0.10	\$(0.06)	\$0.10
Weighted average trust units outstanding:				
Basic	6,324,139	4,356,000	5,015,016	4,356,000
Diluted	6,327,260	4,477,793	5,015,143	4,427,827

See accompanying notes to interim consolidated financial statements.

DEEPWELL ENERGY SERVICES TRUST

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Three months ended September 30, 2007	Three months ended September 30, 2006	Nine months ended September 30, 2007	154 days ended September 30, 2006
Operating activities				
Net income (loss)	\$241,069	\$450,993	\$(286,987)	\$462,834
Non-cash items:				
Depreciation and accretion	824,096	560,249	2,422,782	1,182,335
Amortization of intangible assets	82,234	136,803	246,701	-
Unit-based compensation	141,673	53,621	676,111	53,621
Amortization of deferred financing costs	9,545	15,588	66,925	36,821
Gain on sale of property and equipment	-	-	(10,239)	-
Loss on write-off of property and equipment	-	-	746,332	-
Future income tax recovery (Note 4)	-	-	(87,201)	-
Change in non-cash working capital	(442,031)	2,729,106	(716,908)	3,430,511
Cash flow from operating activities	856,586	3,946,360	3,057,516	5,166,122
Investing activities				
Financial security deposits	1,470,336	(194,552)	1,433,474	(1,414,200)
Business acquisitions (net of cash of \$259,925)	-	(47,887)	-	(42,881,776)
Purchase of property and equipment	(2,846,290)	(3,313,792)	(5,298,219)	(3,507,560)
Proceeds on sale of property and equipment	-	-	143,500	-
Change in non-cash investing working capital	(131,644)	-	(1,231,381)	-
Cash flow from investing activities	(1,507,598)	(3,556,231)	(4,952,626)	(47,803,536)
Financing activities				
Proceeds from issuance of units	16,604,891	-	16,604,891	36,925,374
Units issued from distribution re-investment plan	108,869	-	139,929	-
Deferred financing costs	(35,000)	-	(52,500)	-
Net proceeds from (repayments to) long-term debt	(13,500,000)	(15,711)	(11,500,000)	6,904,289
Unit issuance costs	(981,651)	(83,348)	(1,059,725)	-
Distributions to unitholders	(1,284,092)	(1,669,220)	(3,164,607)	(2,114,478)
Cash flow from financing activities	913,017	(1,768,279)	967,988	41,715,185
Change in cash	262,005	(1,378,150)	(927,122)	(922,229)
Cash (bank indebtedness), beginning of period	(1,160,266)	455,921	28,861	-
Cash (bank indebtedness), end of period	\$(898,261)	\$(922,229)	\$(898,261)	\$(922,229)
Supplementary information				
Cash interest paid	\$110,841	\$102,469	\$545,852	\$194,827

See accompanying notes to interim consolidated financial statements.

DEEPWELL ENERGY SERVICES TRUST

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the periods ended September 30, 2007 and 2006

(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 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 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 notes to the interim consolidated financial statements for the period ending March 31, 2007.

Certain comparative amounts have been reclassified to conform to the current period's presentation and no nine-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

The total number of outstanding options shall not exceed 10 percent of the outstanding Trust units. 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. The following table summarizes the Trust unit options:

	September 30, 2007	December 31, 2006
Trust unit options outstanding	506,971	314,500
Trust unit options exercisable	170,133	-
Range of exercise prices (per unit)	\$6.30 to \$9.62	\$9.62 to \$10.26
Weighted average remaining contractual life (years)	4.29	4.65
Weighted average exercise price (per unit)	\$7.93	\$9.63

The Trust recorded unit based compensation expense in respect of Trust unit options of \$141,673 during the three months ended September, 2007, and \$676,111 for the nine months September 30, 2007 with an offsetting increase to contributed surplus. The fair value of options issued was estimated using the Black-Scholes pricing model with the following assumptions: risk free interest rate of 4.25 percent, volatility rate of 45 percent; life of 5 years; the impact of monthly distributions and corresponding changes in exercise price. During the period 130,171 Trust unit options were granted.

Unitholders' Equity	Number	Amount
Issued on redemption of Class B units	4,356,000	\$43,560,000
Units issued - rights offering	2,180,515	13,104,895
Units issued - private placement	582,362	3,499,996
Distribution re-investment plan	22,539	139,929
Trust Unit issue costs	-	(4,129,348)
September 30, 2007	7,141,416	\$56,175,472

(b) Distributions to Unitholders

The Trust has declared distributions to Unitholders in accordance with the following schedule:

2007	Record date	Payment date	Cash per Trust unit	Amount
January	January 31	February 15	\$0.0958	\$417,305
February	February 28	March 15	0.0958	417,305
March	March 31	April 13	0.06	261,360
April	April 30	May 15	0.06	261,360
May	May 31	June 15	0.06	261,523
June	June 30	July 14	0.06	261,662
July	July 31	August 15	0.06	427,655
August	August 31	September 14	0.06	427,952
September	September 30	October 15	0.06	428,485
Distributions declared to unitholders				\$3,164,607

(c) Weighted average units outstanding

	Three months ended Sep 30 2007	Three months ended Sep 30 2006	Nine months ended Sep 30 2007	154 days ended Sep 30 2006
Basic	6,324,139	4,356,000	5,015,016	4,356,000
Diluted	6,327,260	4,477,793	5,015,143	4,356,000

(d) Dividend re-investment plan

During the third quarter of 2007, a total of \$108,869 was reinvested by unitholders under the Trust's distribution reinvestment plan, resulting in the issuance of 17,508 Trust units.

(e) Private placement and rights offering

On July 9th, 2007, Deepwell closed a private placement of 582,362 units for gross proceeds of \$3,499,996. On July 31, 2007, Deepwell's closed a rights offering, which was fully subscribed for 2,180,515 units and gross proceeds of \$13,104,895.

4. 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 Tax Act. The SIFT Trust Legislation generally will apply to trusts that are resident in Canada for purposes of the 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 nine months ended September 30, 2007.

5. Inventories

As of January 1, 2008, Deepwell is required to replace the existing inventory accounting policy. The new policy 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 interim consolidated financial statements.
