

Interim Consolidated Financial Statements of

DEEPWELL ENERGY SERVICES TRUST

As at September 30, 2006 and for the period from April 27, 2006 to September 30, 2006

Under National Instrument 51-102, Part 4, subsections 4.3(3)(a), an auditor has not performed a review of the interim consolidated financial statements as at September 30, 2006 and for the period from April 27, 2006 to September 30, 2006

The accompanying unaudited interim financial statements of the Trust at September 30, 2006 have been prepared by and are the responsibility of the Trust's management.

DEEPWELL ENERGY SERVICES TRUST

INTERIM CONSOLIDATED BALANCE SHEET (unaudited)

AS AT SEPTEMBER 30, 2006

Assets

Current assets:

Accounts receivable	\$ 2,328,488
Inventory	83,008
Prepays and deposits	266,760
	<u>2,678,256</u>

Property and equipment	37,646,181
Intangible assets	3,488,556
Goodwill	6,244,736
Financial security deposits	1,414,200
Deferred financing costs	58,900
	<u>48,852,573</u>

\$ 51,530,829

Liabilities and Unitholders' Equity

Current liabilities:

Bank indebtedness	\$ 922,229
Accounts payable and accrued liabilities	4,019,954
Long term debt - current	777,778
	<u>5,719,961</u>

Long term debt	6,222,222
Asset retirement obligations	701,295
	<u>6,923,517</u>

Unitholders' equity:

Unitholders' capital	40,485,374
Accumulated distributions	(2,114,478)
Contributed surplus	53,621
Accumulated earnings	462,834
Total unitholders' equity	<u>38,887,351</u>

\$ 51,530,829

See accompanying notes to financial statements.

On behalf of the board of trustees:

Trustee

Trustee

DEEPWELL ENERGY SERVICES TRUST

INTERIM CONSOLIDATED STATEMENT OF EARNINGS (unaudited)

	For the three months ended September 30, 2006	For the period from April 27, 2006 to September 30, 2006
Revenue:	\$ 3,792,755	\$ 5,571,383
Expenses:		
Direct operating	2,040,285	2,989,222
Selling and administrative	502,408	732,297
	<u>2,542,693</u>	<u>3,721,519</u>
Earnings before depreciation, amortization, accretion and interest	1,250,062	1,849,864
Depreciation, amortization and accretion	712,640	1,182,345
Financing	102,469	221,026
	<u>434,953</u>	<u>446,493</u>
Earnings before undernoted item:	434,953	446,493
Interest income	16,040	16,341
	<u>450,993</u>	<u>462,834</u>
Net income for the period	450,993	462,834
Accumulated earnings, beginning of period	11,841	-
	<u>462,834</u>	<u>462,834</u>
Accumulated earnings, end of period	462,834	462,834
Net earnings per trust unit		
Basic	\$0.10353	\$0.10625
Diluted	\$0.10072	\$0.10453

DEEPWELL ENERGY SERVICES TRUST

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

	For the three months ended September 30, 2006	For the period from April 27, 2006 to September 30, 2006
Cash provided by (used in):		
Operations		
Net earnings	\$ 450,993	\$ 462,834
Items not involving cash:		
Depreciation, amortization and accretion	738,839	1,219,156
Stock based compensation	53,621	53,621
	1,243,453	1,735,611
Changes in non-cash working capital:		
Accounts receivable	(491,533)	(36,056)
Accounts payable and accrued liabilities	3,226,473	3,607,543
Prepays and deposits	(72,165)	(88,216)
Inventory	40,121	(52,770)
	2,702,896	3,430,501
Investments:		
Security deposits	(194,552)	(1,414,200)
Business acquisition	(47,887)	(42,881,776)
Purchase of property, plant and equipment	(3,313,792)	(3,507,560)
	(3,556,231)	(47,803,536)
Financing:		
Bank indebtedness	922,229	922,229
Net proceeds from issuance of units	(83,337)	36,925,384
Net proceeds from long term debt	(15,711)	6,904,289
Distributions to unitholders	(1,669,220)	(2,114,478)
	(846,039)	42,637,424
Increase in cash flow and cash equivalents	(455,921)	-
Cash and cash equivalents - opening	455,921	-
Cash and cash equivalents - end of period	\$ -	\$ -

DEEPWELL ENERGY SERVICES TRUST

NOTES TO FINANCIAL STATEMENTS

AS AT SEPTEMBER 30, 2006 AND FOR THE PERIOD FROM APRIL 27, 2006 TO SEPTEMBER 30, 2006

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 business indirectly through its wholly owned subsidiary, Deepwell Energy Services LP (the "Company").

2. Significant Accounting Policies

These interim consolidated financial statements have been prepared utilizing the same accounting principles and methods as the interim consolidated financial statements of the Trust for the quarter ended June 30, 2006. In the opinion of management, these interim financial statements include all necessary adjustments necessary to present fairly the results for the interim periods. The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from such estimates by material amounts.

The interim financial consolidated statements and associated notes should be read in conjunction with the Trust's interim consolidated financial statements and associated notes as at, and for the 64 day period ended June 30, 2006.

(a) Unit based compensation

The Trust has established a trust unit option plan for trustees, directors, officers, employees and consultants. The Trust recognizes unit-based compensation expense in the Consolidated Statement of Earnings for all unit options granted based upon their fair value at the time of grant. The fair value is determined using an accepted option pricing model, with total compensation expense recognized over the period the options vest. Compensation expense is offset with a corresponding increase to contributed surplus. Consideration paid by the option-holder upon the exercise of the options, together with the amount previously recognized in contributed surplus, is recognized as an increase in unitholders' capital.

3. Business Acquisitions

On April 27, 2006 The Trust purchased all of the issued and outstanding shares of Deepwell Disposal Services Inc. in exchange for 356,000 Class B Trust Units valued at \$3,560,000 and the Trust incurred transaction costs of \$26,523.

On April 28, 2006, the Trust purchased the oilfield waste management assets of Producers Disposal Services Ltd. and Rycroft Disposal Well Inc. for cash consideration of \$42,754,509, net of interim adjustments of \$1,245,491 and the Trust incurred transaction costs of \$127,267. The Trust acquired all of the assets of PDS and Rycroft excluding security deposits held by the Alberta Energy and Utilities Board. The Trust assumed the asset retirement obligations of PDS and Rycroft, however the Trust assumed only those operating liabilities accruing to PDS and Rycroft subsequent to March 31, 2006. The Trust also did not assume any bank indebtedness or amounts due to affiliates.

These acquisitions were accounted for using the purchase method whereby the assets acquired and the liabilities assumed are recorded at their fair values. These Financial Statements have been prepared using the estimated fair values of assets and liabilities acquired from PDS and Rycroft as at March 31, 2006, adjusted for working capital adjustments from the interim statement of adjustments from the acquisition of the assets of PDS and Rycroft, and adjusted for working capital adjustments for operations from April 1 to April 28, 2006. The Trust and Deepwell Disposal were related parties at the time of the Deepwell Disposal acquisition, and the Pro Forma Financial Statements have been prepared using the estimated fair values of assets and liabilities acquired from Deepwell Disposal as at March 31, 2006, adjusted for working capital adjustments for operations from April 1 to April 27, 2006. Estimated fair values of property, plant and equipment, intangibles and goodwill for both acquisitions were provided by an independent evaluator.

4. Unitholders' equity

(a) Authorized: The Trust is authorized to issue an unlimited number of Trust units.

(b) Issued:

Class B Trust units	Number of units	Date	
Issued in exchange for shares of Deepwell Disposal Services Inc.	356,000	April 27, 2006	3,560,000
Issuance of Class B Trust units	4,000,000	April 21, 2006	40,000,000
Less: Estimated issuance costs			(2,991,289)
Redemption of Class B units on exchange for regular Trust Units	(4,356,000)	August 22, 2006	(40,568,711)
Unitholders equity - Class B Trust Units as at September 30, 2006	-		\$ -

Regular Trust units	Number of units	Date	
Issued on exchange for Class B Trust Units	4,356,000	August 22, 2006	\$ 40,568,711
Less: Estimated issuance costs			(83,337)
Unitholders equity - Regular Trust units as at September 30, 2006	4,356,000		\$ 40,485,374

On August 22, 2006, the Trust exchanged each outstanding Class B trust unit on a one-for-one basis with regular Trust Units.

5. Trust Unit Options and Unit-based Compensation

During the period, the Trust granted 289,000 options, at initial exercise prices ranging from \$10.00 to \$10.74. The Trust cancelled 500 of these options during the period. 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% of the per unit amount of distributions paid on outstanding units. As at September 30, 2006, the exercise price of all options is \$9.81 per unit.

The Trust recorded unit option compensation expense and contributed surplus of \$53,621 during the period. The fair value of options issued during the period was estimated using the Black-Scholes pricing model with the following assumptions: risk free interest rate of 4.25%; volatility of 35%; life of 5 years; distributions of \$0.0958 per month and corresponding changes in exercise price during the life of the options. The estimated weighted average fair value of unit options outstanding is \$5.04 per option.

6. Net Earnings per unit

Basic per unit calculations for the three months and 156 days ending September 30, 2006 were based on the weighted average number of units outstanding of 4,356,000.

Diluted per unit calculations for the three months and 156 days ending September 30, 2006 were based on the weighted average number of units outstanding of 4,477,793 and 4,427,827 respectively.

7. Cash Distributions

The Trust declares monthly distributions of cash to Unitholders of record as at the close of business on each Distribution Record Date. Pursuant to its policy, the Trust intends to pay distributions to its Unitholders subject to satisfying its financial covenants. 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 schedule:

<u>Period</u>	<u>Record date</u>	<u>Date</u> <u>distribution</u>	<u>Cash distributions</u> <u>per unit</u>	<u>Totals</u>
June 1-30, 2006	Jul 6, 2006	Jul 14, 2006	\$ 0.096	\$ 417,305
July 1 - 31, 2006	Jul 28, 2006	Aug 15, 2006	0.096	\$ 417,305
August 1 - 31, 2006	Aug 31, 2006	Sep 15, 2006	0.096	\$ 417,305
September 1 - 30, 2006	Sep 29, 2006	Oct 15, 2006	0.096	\$ 417,305
Total distributions declared during the period			\$	1,669,220

8. Asset retirement obligation

It is management's estimate that the remaining lives of the disposal sites are approximately 20 years, at which time the cost to close the disposal sites will approximate \$3.43 million. The discounted cash flows required to retire the assets was determined using a credit adjusted rate of 8.50% and an inflation rate of 2%. The accrued liability for closure of the disposal sites is recognized over the estimated remaining life of the assets. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived assets and are depreciated over its estimated useful life.

Changes in the asset retirement obligation balance are summarized below:

As at:	June 30 2006	September 30 2006
Asset Retirement Obligation, beginning of period	\$677,556	\$687,051
Accretion expense	9,495	14,244
Asset Retirement Obligation, end of period	\$687,051	\$701,295

9. Related Party Transactions

During the period the Trust made payments in the amount of \$129,566 for legal expenses to a Partnership of which one of the Directors of Deepwell Energy Services Ltd. is a Partner. These transactions were conducted in the normal course of operations, on commercial terms established and agreed to by the parties.

10. Subsequent Events

The Trust declared a cash distribution for the period from October 1, 2006 to October 31, 2006, at \$0.0958 per unit, to be paid on November 15, 2006 to unitholders of record on October 31, 2006.

On October 2, 2006, the Trust granted 15,000 options to purchase Units at an exercise price of \$10.12 per Unit.

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Based in Calgary, Deepwell Energy Services Trust is an unincorporated investment trust governed by the laws of the Province of Alberta and was established to acquire and operate businesses that engage in oilfield waste services. The principal undertaking of the Trust through its indirect wholly owned subsidiary Deepwell Energy Services LP, is to provide a variety of services to oil and gas exploration and production companies in western Canada. Deepwell Trust Units are listed on the Toronto Stock Exchange under the symbol "DWL.UN".