



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Year Ended April 30, 2008

Prepared August 27, 2008

This Management Discussion and Analysis (MD&A) focuses on key statistics from the audited consolidated financial statements for Dalmac Energy Inc. for the year ended April 30, 2008 and pertains to known risks and uncertainties relating to Dalmac's operations in the oilfield services industry. This MD&A should be read in conjunction with the Corporation's corresponding financial statements for the same periods and should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions. The Corporation's financial statements have been prepared in accordance with generally accepted accounting principles in Canada ("GAAP"). The Corporation's MD&As and financial statements for earlier periods should also be considered relevant and are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com or on the Corporation's web site at www.dalmacenergy.com.

Forward-looking information

Statements in this MD&A relating to matters that are not historical facts are forward looking statements. Such forward-looking statements may involve known and unknown risks and uncertainties which may cause the actual results, performances or achievements of the Corporation to be materially different from any future results implied or contemplated by such forward looking statements. Some of the risks that may cause actual results to vary are described under the "Business Risks" section. References made in this MD&A, to "Dalmac", the "Corporation", "Company", "us", "we" and "our" mean Dalmac Energy Inc. and its subsidiaries Dalmac Oilfield Services Inc. and 1353245 Alberta Ltd.

Overview

Dalmac Energy Inc. is a public company which has traded on the TSX Venture exchange since January 2004. The Corporation currently has about 100 employees and operates a fleet of over 135 service units. Our fleet consists of "hot oiler", "acid flush", "chemical", "hydro evacuation", "vacuum", "pressure" and "tanker" trucks. Other operations consist of chemical sales and distribution of products such as "methanol", "glycol", and "KCL".

Based out of Edmonton, Alberta, the Corporation's operations have been providing oilfield services, throughout the west central Alberta for over 50 years. Dalmac's operating divisions are located in Fox Creek, Hinton, Warburg and Pigeon Lake.

Non-GAAP Measures

Dalmac uses certain non-GAAP measures as indicators of financial performance and believes that these non-GAAP measures provide useful information to shareholders. EBITDAS and gross margin are measures used by the Company which have no standardized meaning under GAAP. The Company's method of calculating EBITDAS and gross margin may differ from other companies and may not be comparable.

EBITDAS is defined as earnings before interest, taxes, depreciation and amortization, gain or loss on sale of property, plant and equipment, and stock based compensation. Management believes that in addition to net income, EBITDAS is a useful supplemental measure which provides an indication of the operating cash flow generated by Company. EBITDAS is not intended to represent an alternative to net income determined in accordance with GAAP as an indicator of the Company's performance

Gross margin is defined as revenue less cost of sales. Cost of sales includes direct labor and costs directly associated with the provision of goods and services.

Results of Operations

Overall revenues for 2008 increased 56% to \$16.2 million from the \$10.3 million reported in 2007. Although much of the industry was impacted by a reduction in oilfield activity which reduced demand for the services provided by the Company, Dalmac has managed to increase its operations through greater diversification into production activities and through acquisitions. In 2008, Dalmac purchased the business and operating assets of North End Oil Industries Ltd. ("North End") of Warburg and KD Trucking (1989) Ltd. ("KD") of Pigeon Lake. The North End transaction closed May 1, 2007 and accounted for a full 12 months of revenue but the KD transaction which closed in October of 2007 only accounted for 7 months of revenues. Based on internal KD records the outstanding 5 months would have generated an additional \$2.5 million in revenue and a further net income of \$0.7 million. In addition, over the course of fiscal 2008, the Company has taken delivery on \$3.0 of new specialized equipment for production operations. Due to delivery issues, about 45% of these purchases were received too late in the year for the Company to generate full 12 months utilization.

At the year ended April 30, 2008, the Company recorded a net loss of \$119,439. This represents a 77% increase over the restated loss of \$67,451 in 2007. The Company would have had a positive net income for 2008 were it not for approximately \$240 thousand in adjustments made in the fourth quarter which relate to a prior period accounting adjustments as indicated in note 17 of the 2008 financial statements.

Also reflected in this loss is a fourth quarter adjustment made to chemical inventories in the amount of \$0.2 million. This adjustment was deemed a nonrecurring cost because management believes that it has rectified the inventory issue and does not expect any further reoccurrence. Addition non cash expenses for the current year which impacted the net earnings, includes stock based compensation expenses of \$137,792 which did not exist in 2007.

The following analysis of the Company's results of operations refers to both the years ended April 30, 2008 ("2008") and April 30, 2007 ("2007") as well as the three months ended April 30, 2008 ("Q4'08") and April 30, 2007 ("Q4'07").

Selected Financial Information

(000's Cdn Dollars, except per share)	Q4'08	Q4'07	Year End 2008	Year End 2007
Revenues	4,838	2,775	16,160	10,336
Gross Margin	886	512	4,389	2,630
Gross Margin %	18%	18%	27%	25%
General and administrative expenses*	238	312	761	893
EBITDAS	287	532	2,079	1,218
EBIDTAS per share - basic	0.02	0.04	0.16	0.10
EBITDAS per share - diluted	0.02	0.04	0.15	0.09
Stock based compensation	16	0	138	0
Interest	211	94	721	347
Amortization	406	262	1,348	883
Net income (loss)	(390)	5	(119)	(67)
Net income (loss) per share - basic	(0.03)	0.00	(0.01)	(0.01)
Net income (loss) per share - diluted	(0.03)	0.00	(0.01)	(0.01)
Total Assets	23,088	18,540	23,088	18,540
Total long-term financial liabilities	6,233	4,130	6,233	4,130
Shareholders' Equity	9,919	9,551	9,928	9,551
Weighted average common shares -basic	12,662,100	12,422,072	12,662,100	12,422,072
Weighted average common shares - diluted	14,133,753	13,288,285	14,133,753	13,288,285

* General and administrative expenses include travel and automotive, advertising & promotions, telephone and utilities, insurance, business taxes and training.

Revenue

Revenue for 2008 increased by 56% to \$16.2 million from the \$10.3 million reported in 2007. In Q4'08 the revenues increased by 74% to \$4.8 million from the \$2.8 million reported in Q4'07. This increase in revenues is a direct result of the production diversification efforts and acquisitions made by the Company.

EBITDAS for 2008 increased by 71% to \$2.1 million from the \$1.2 million reported in 2007. The Q4'08 EBITDAS decreased by 46% or \$245,377 from the \$0.5 million Q4'07.

The net loss for 2008, as previously stated in this MD&A was \$119,439. The results of Q4'08 were adversely impacted by prior period adjustments and the non recurring loss referenced earlier in this MD&A. The culmination of the foregoing reflected in the net loss of \$0.4 million Q4'08 as compared to a net income of \$4,542 for Q4'07.

Gross Margin

The gross margin for 2008 increased by 67% or \$1.8 million to \$4.4 million from the \$2.6 million reported in 2007. The gross margin for Q4'08 increased by 73% or \$0.4 million to \$0.9 million from the \$0.5 million reported in Q4'07. This increase is consistent with the increased activity as a result of the acquisitions made and new equipment procured.

Expenses

The total 2008 expenses increased 60% to \$4.6 million from the \$2.9 million reported in 2007. This represents an average monthly expense of \$0.4 million for 2008 compared to \$0.25 million for 2007. Total expenses as a percentage of revenue increased to 29% from 28% in the previous year. Total expenses for Q4'08 increased by 112% to \$1.2 million from the \$0.6 million reported in Q4'07. This is consistent with increased cost as a result of the acquisitions and the nonrecurring costs referenced earlier in this MD&A.

Amortization expenses increased by 53% to \$1.3 million from \$0.9 million reported in 2007. This represents an average monthly expense of \$108 thousand compare to \$70 thousand in the previous year. This increase in amortization is consistent with the acquisitions and the equipment purchases made.

Administration and employment expenses increased to 103% to \$1.5 million from the \$0.8 million reported in 2007. This represents an average monthly expense of \$120 thousand compared to \$60 thousand for 2007. The difference in expense is due to the increase in personnel acquired as per the acquisitions made in fiscal 2008

Office and automation expenses increased by 58% to \$0.5 million form the \$0.4 million reported in 2007. This represents an average monthly expense of \$40 thousand in 2008 compared to \$33 thousand in 2007. The expenses for Q4'08 increased by 47% to \$187 thousand from the \$127 thousand referenced in Q4'07. This increase is consistent with the higher telephone, insurance, maintenance and training, largely affected by the acquisitions referenced earlier in this MD&A.

In 2008, professional fees decreased by 16% to \$172 thousand from the \$204 thousand reported in 2007. This is decrease largely due to decreased use of outside accounting professionals as a result of increased administration and accounting staff hired by the Corporation. Professional fees include auditing and legal costs involving, compliance and governance costs associated with being a public issuer.

Sales and marketing expenses decreased by 7.0% to \$268 thousand from \$289 thousand in the year before. Even though we have increased the size of the Company through acquisitions and

equipment purchases the sales and marketing costs did not vary much due to greater utilization of the existing human resources within the organization.

Interest on long term debt expenses increased by 73% to \$0.4 million from the \$0.2 million reported in the previous year. Interest on callable debt increased by 180% to \$135 thousand up from \$48 thousand in 2007. This callable debt is bank debt used for financing the purchase of equipment and property. The total long term and callable debt interest represents an average monthly expense of \$47 thousand as compared to \$24 thousand in 2007. This increase relates to the increased financing costs as a result of the acquisitions and new equipment purchases.

Bank charges and interest costs increased by 107% to \$0.7 million up from the \$0.3 million reported a year earlier. This represents an average monthly expense of \$58 thousand as compared to \$25 thousand in fiscal 2007. These bank charges and interest are consistent with the increased business activity and acquisition costs made during fiscal 2008.

Stock Base Compensation

The stock based compensation expense of \$137,792 recorded in 2008 is associated with stock options which were issued over the course of the year. There was not stock based compensation expense incurred in 2007. This expenditure is a non-cash expense that is recorded in accordance with GAAP each time stock options are issued. The stock option expense has been calculated in accordance with the Black Scholes option pricing model.

Summary of Quarterly Results

	Q4'08 Quarter Ended 30-Apr-08	Q3'08 Quarter Ended 31-Jan-08	Q2'08 Quarter Ended 31-Oct-07	Q1'08 Quarter Ended 31-Jul-07
(000's Cdn Dollars, except per share)				
Revenue	4,838	5,552	3,234	2,537
Net income (loss)	(390)	202	248	(198)
Net income (loss) per share - basic	(0.03)	0.02	0.02	(0.02)
Net income (loss) per share - diluted	(0.03)	0.01	0.02	(0.01)

	Q4' 07 Quarter Ended 30-Apr-07	Q3' 07 Quarter Ended 31-Jan-07	Q2' 07 Quarter Ended 31-Oct-06	Q1' 07 Quarter Ended 31-Jul-06
(000's Cdn Dollars, except per share)				
Revenue	2,775	3,186	2,226	2,195
Net income (loss)	5	402	(255)	(86)
Net income (loss) per share - basic	(0.00)	0.03	(0.02)	(0.01)
Net income (loss) per share - diluted	(0.00)	0.03	(0.02)	(0.01)

Q4'08 vs. Q4'07

The strength of this quarter is normally dependent on prevailing weather conditions, which effect access to work areas and the timing of customer budget spending plans. Q4'08 represented an improvement of \$2.0 million over Q4'07. In spite of the fact that the industry was experiencing low activity levels, Dalmac managed to increase its revenues by 74%. This is mainly due to the acquisitions and equipment purchases made in fiscal 2008. Dalmac also made a concerted effort to focus on more production opportunities as opposed to drilling. The net income in Q4'08 was adversely impacted by prior period adjustments and non recurring costs referenced earlier. When road ban and spring break up occur in this quarter the Company takes advantage of this slow down to effect needed repairs, maintenance and certifications on the operating equipment. This contributes increased operating costs in Q4.

Q3'08 vs. Q3'07

The third quarter is generally one of the busiest. This is when the oil and gas drilling activity is at its highest levels during the year. The ground and unpaved roads are frozen which permits the Company to access and conduct work in the project areas. However in Q3'08 the drilling activity levels were very low compared to previous years. The drilling utilizations in Q3'08 were about 40% compared to over 60% in Q3'07. What made the difference for Dalmac were the acquisitions and new equipment purchases which enabled the Company to expand into more production operations.

Q2'08 vs. Q2'07

Q2'08 covers the period from September to October. It has traditionally been a breakeven quarter at best. This was because the Company was more synchronized with the drilling cycles. This quarter is also affected by prevailing weather conditions and the timing of customer capital budget expenditures. This cycle began to change in Q2'08 with the acquisition of KD Trucking and more production related work. Low natural gas prices continued to plague the industry drilling sector.

Q1'08 vs. Q1'07

Q1 is traditionally Dalmac's slowest quarter due to the spring break up and road bans. As the ground thaws, regulators and landowners prohibit the Company from accessing most work areas until the ground dries out and becomes passable to heavy equipment that may cause damage to the land. Traditionally road bans are lifted in May. The Company is further restricted from certain areas that protect various wildlife species during their migrations and calving seasons which usually extend to the middle of June. Production related projects are often given a waiver with respect to road bans which include such things as limiting hauls to half loads etc. The Combined breakup conditions and depressed drilling activity contributed to make for a worsening of circumstances. Continuations to repairs, maintenance and certifications are also made in Q1 due to much of the equipment being idle at this time. This places increased operating costs on a slower than normal quarter.

Income Taxes

The Company was not in a taxable position in 2008 and has income tax recoverable.

Liquidity and Capital Resources

During the year ended April 30, 2008, cash flow from operating activities, including the change in non-cash working capital balances was \$1.6 million compared to \$0.8 for same period in 2007. Cash flow from operating activities was impacted by a increase of \$0.3 million in non-cash working capital balances. In 2007 the non cash working capital balances contributed to a cash flow decrease of \$0.2 million.

Capital expenditures on property, plant and equipment in 2008 were \$8.7 million and \$3.5 million in 2007. The expenditures in both years were mainly for operating equipment purchases either directly or through acquisitions.

Callable debt and capital lease balances were \$2.0 million in 2008 as compared to \$0.4 million in 2007. Long term debt increased by \$0.5 million to \$4.3 million from the \$3.8 million reported in 2007. The increase in callable and long term debt is due to increased operating equipment purchases referenced earlier in this and prior period MD&A's. Bank indebtedness on the operation line increased to \$1.9 million, up \$0.7 million from 2007 due to increased operational requirements.

Dalmac has a current banking facility of \$6.0 million. This extended facility consists of a \$3 million line of credit and a \$3.0 million demand Revolving Term Loan. At 2008 \$1.9 million (2007 - \$1.2 million) has been drawn down on this credit line facility and \$2.1 million (2007 -

\$0.5 million) has been drawn down on the demand term loan facility. The interest on the former facility is prime plus 1% and the latter is prime plus 1.25%. In addition the Company has a demand non-revolving loan of \$0.4 million (2007 - \$nil) at an interest rate of prime plus 1.25%.

As at April 30, 2008 certain debt covenants with respect to the Company's credit facility had not been met.

Working Capital

Working capital for 2008 was \$(0.9) million compared to \$4.6 million in 2007. The decrease is due to the acquisition and capital expenditures which occurred over the year. The callable debt is bank financed debt (for property mortgage and equipment purchases) and has been excluded from the calculation of working capital as it is considered long term for the purposes of this report. Capital lease obligations are also excluded from the working capital calculation. Dalmac believes it has sufficient working capital, cash flow from operations, and access to capital to fund its ongoing business requirements. Dalmac's capital requirements consist primarily of working capital necessary to fund operations, capital expenditures related to the purchase and manufacture of operating equipment, and capital to finance strategic acquisitions. Sources of funds to meet these capital requirements include cash flow from operations, external lines of credit, equipment financing, term loans and equity financings.

Amortization of Property and Equipment

The amortization of property and equipment, for 2008, increased by \$0.5 million or 53% to \$1.4 million from the \$0.9 million reported in 2007. This is consistent with our acquisitions and the purchase of additional operating equipment. Amortization is dependent on the timing of additions to property and equipment.

As of May 1, 2007 the Corporation implemented a change of estimate regarding the salvage value of service vehicles and equipment. This change increased the salvage values and will reflect a more realistic net book value at the end of the equipment's amortized life. No changes have been made to the equipment's estimated useful life.

Contractual Obligations

Dalmac leases equipment and premises under long term operating leases. The leases for premises are exclusive of operating costs. Future minimum annual lease payments are as follows:

Lease Commitments

		2009	2010	2011	2012	2013
Equipment	\$	522,782	348,672	39,623	3,462	1,443
Premises		233,603	228,024	229,475	230,926	-
	\$	756,385	576,696	269,098	234,388	1,443

Shareholders' Equity

Shareholders' equity for 2008 increased by \$0.4 million, or 4% to \$10.0 million from the \$9.6 million reported in 2007. This increase is mainly the result of the restatement 2007 statements as a result of the GST recovery and a slight increase in share capital which is referenced in note 8 of the 2008 audited financial statements.

Outstanding Share Data

The following are the issued and outstanding shares options and warrants as of the date of this MD&A:

Common Shares	Options	Warrants
12,974,522	1,157,629	0

On May 1, 2007 the Corporation issued 92,592 common shares as part of the North End acquisition and a further 592,199 common shares were issued on October 1, 2007 for the acquisition of KD.

Related Party Transactions

In 2008 the Company leased premises from a company controlled by a director of the Company for a total consideration of \$81,600 which remains unchanged from 2007. The Company is indebted to a director of the Company for an amount of \$132,734 (2007-\$140,000). An interest expense of \$1,207 (2007 - \$nil) has been paid during the year.

In 2008 the Company paid or accrued management and consulting fees to a company controlled by a director in the amount of \$129,591, compared to \$117,810 in the previous year. The Company pays consulting fees of \$11,314 per month, increasing by 10% per year, pursuant to an agreement expiring on November 14, 2009. In addition, if the Company's net earnings before tax reach \$500,000, the contract agreement requires a bonus payment of 5% on the first \$500,000 of the Company's earnings before tax, 6% on amounts between \$500,001 and \$800,000, 7% on amounts between \$800,001 and \$1,000,000 and 7.5% on amounts over \$1,000,000.

The aforementioned transactions are in the normal course of operations and have been valued in the 2008 financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Critical Accounting Policies

The Corporation's financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and may include estimates that reflect management's estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements for the period reported. Estimates are based upon historical experience and various other assumptions that reflect management's best judgments. These estimates are evaluated periodically and form the basis for making judgments regarding the carrying values of assets and liabilities and the reported amount of revenue and expenses. Actual results may differ.

Property, Plant and Equipment

Property plant and equipment are recorded at cost and are amortized over their useful lives. The Company evaluates the carrying value of these assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company recognizes an impairment charge when it is probable that estimated future cash flows of the underlying asset will be less than the carrying value of the assets.

Judgment is required in determining the useful lives of capital assets and the appropriate method of amortization. Factors considered in estimating the useful lives of capital assets include expected future usage, effects of technological or commercial obsolescence, expected wear and tear from use or the passage of time and effectiveness of the Company's maintenance program

Allowance for Doubtful Accounts

The Company performs ongoing credit evaluations of its customers and grants credit based upon past payment history, financial and anticipated industry conditions. Customer payments are regularly monitored and a provision for doubtful accounts is established based on specific situations and overall industry conditions. The Company's history of bad debt losses has been minimal and is generally limited to specific customer circumstances. A change in these factors could impact the estimated allowance and the provision for bad debts recorded in the accounts. The actual collecting of accounts receivable and the resulting bad debts may differ from the estimated allowance for doubtful accounts and the difference may be material.

Inventory

Inventory is made up of parts and chemicals, parts are valued on a first-in and first-out basis and chemical is valued on average costing. The parts inventory is used for fleet maintenance and repair while chemical inventory is for resale. The latter is valued net of obsolescence. Management's assessment and judgment is critical to determining the obsolescence of this inventory based on aging.

Future Income Tax

The Company uses the liability method which records the differences between the financial statements presentation and the tax treatment of the affected transactions, assets and liabilities. Future tax assets and liabilities are recognized for the future tax consequences attributable the variance of the fore mentioned over the course of their respective lives. Valuation allowances are established to reduce future tax assets when it is more likely than not that some portion or all of the assets will not be realized. Estimates of future taxable income and the continuation of ongoing prudent tax planning arrangements have been considered in assessing the utilization of available tax pools. Changes in circumstances and assumptions and clarification of uncertain tax regimes may require changes to the valuation allowances with the Company's future tax assets.

Stock Based Compensation

Stock-based compensation expense associated with share options granted to directors and employees is estimated based on various assumptions using a Black-Scholes based option pricing model. This estimate may vary due to changes in the model's variables, which include the risk free interest rate of the Company, the expected stock price volatility and the rate of forfeitures.

Risk Management

Business Risks

Activity in the oil and gas industry is subject to a range of external factors that are difficult to manage, including resource demand, commodity pricing and climate. The Company plans to mitigate these risks by maintaining a strong balance sheet and remaining responsive to changes in industry dynamics. The Company has a comprehensive insurance policy to help safeguard its assets, operations, and employees. This is reviewed annually and revised as changes in circumstances warrant.

Credit Risks

The Company currently transacts with oil and gas exploration companies and is exposed to the associated credit risk. Management continually assesses the credit worthiness of these customers and monitors all outstanding balances. Management views the credit risk of its account receivables as normal for its industry.

Financing Risk

The ability of the Company to complete its budgeted capital acquisition program and meet its payment obligations as they become due will continue to be dependent on its ability to secure sufficient funds through additional debt and equity financing and to generate positive cash flow from operations.

Supplier Risk

The Company has a large portion of its service equipment and associated equipment manufactured by a single provider. While this arrangement provides certain market advantages, it also exposes the Company to potential short-term vulnerability if this supplier experiences unusual production disruptions or labor disputes.

Seasonal and Weather Risk

Seasonal factors and unexpected weather patterns may lead to reduced oil and gas exploration activity and corresponding declines in the demand for the Company's services during various times of the year.

Competitive Conditions

The operating climate within the Western Canadian Sedimentary Basin is very competitive resulting in fluctuations of price and utilization rates. Dalmac attempts to mitigate these risks by creating good working relationships with its customers while focusing more on production operations and on longer term contracts.

Recent Events

Dalmac announced on November 27, 2006 that it would conduct a normal course issuer bid to purchase up to 621,391 of its common shares, which represents approximately 5% of its 12,427,833 common shares outstanding as of the announcement date. Purchases under this normal course issuer bid were carried out through open market transactions through the facilities of the TSX Venture Exchange over a period of 12 months ending November 30, 2007. Any shares purchased by the Corporation under this issuer bid were cancelled. As of November 30, 2007, the Corporation had repurchased and cancelled 136,500 of its common shares.

On July 2, 2007 Dalmac closed the purchase of the business and assets of North End Oil Industries Ltd. for \$1,925,000.00, consisting of \$1.5- million cash, \$375,000 promissory note payable over 3 years, and \$50,000 in shares issued at \$0.54 per share for a total of 92,592 shares.

On October 1, 2007 the Corporation completed the purchase of the business and assets of KD Trucking (1989) Ltd. for \$3.6 million, payable by \$2.7 million in cash, \$500,000 in vendor take back financing and \$300,000 in shares. The number of common shares issued for this transaction was 592,199. The purchase of the business and assets of KD Trucking (1989) Ltd. necessitated the formation of a new subsidiary company called 1353245 Alberta Ltd, which is 100% controlled by the Corporation.

As of February 28, 2008, 480,000 brokers options, priced at \$1.25 per share and 2,400,000 warrants, priced at \$1.50 per share, expired. These options and warrants were issued on February 28, 2006 in conjunction with a bought deal private placement which yielded total proceeds of \$6.0 million through the sale of 4,800,000 units at \$1.25 per unit. Each unit consisted of one common share and one half of one common share purchase warrant of the Corporation

Subsequent Events

On July 27, 2008 Dalmac, announced that it made a formal proposal to acquire the business and assets of Tinky Rentals Limited Partnership and Tinky Trucking Limited Partnership (the "Tinky Group") of Edson, Alberta for a purchase price of \$3.8 million. Of this amount, \$2.0 million is to be paid on closing with the balance being paid by vendor take back debt and preferred shares of the acquisition company. The preferred shares will be from a newly created corporation which will be 100% owned by Dalmac. Management considers this acquisition is considered to be very accretive to Dalmac's operations and is expected to close in September of 2008.

Outlook

Fiscal 2008 was a challenging year for Dalmac. The activity levels were lower as compared to prior years as a result of depressed natural gas prices, extended spring break-up and reduced capital budgets resulting from the announced royalty adjustments. Although the Company's business is not entirely dependent on new well completions it could not help being affected by the reduced drilling activity in 2007 as compared to 2006 which resulted in about a 27% decrease in wells drilled. However, in spite of the foregoing, the Company has managed to increase its

overall activity levels as a result of the acquisitions made in fiscal 2008 which enabled it to access more production related projects.

Industry projections for the remainder of 2008 reflect some renewed optimism for the sector. The Canadian Association of Oilwell Drilling Contractors (CAODC) have revised upward their 2008 forecast of the number of wells drilled (on a completion basis) to 18,000 and have forecasted an average rig utilization levels at 42% for the year. The Petroleum Service Association of Canada (PSAC) has also revised their forecast (on a rig released basis) to 16,500.

As the Company continues to acquire more production contracts projects, such as production hauls, transfers, plant turnarounds, and maintenance, management expects the utilization levels to increase further. These production contracts along with increased new well completions continue to signal promising developments for Dalmac. With an expanded and modern fleet of about 135 service units the Company is well positioned to react quickly to customer demand. The Company will continue to strive for higher utilization rates while managing its balance sheet in order to remain a strong and healthy oilfield services company. Dalmac is confident in its abilities to react quickly to customer needs and growth opportunities as the present themselves in order to further capitalize on the challenging conditions facing our industry.

Dalmac is keen on striking an optimal balance of commitment to production services and drilling activities. Dalmac is dedicated to maintaining good relationships with our customers by providing them with a range of services which covers the broad spectrum of their needs.

Expansion opportunities are constantly subject to an ongoing review, which may include additional acquisitions that may involve the requirement for capital expenditures beyond the normal course for the Corporation. Dalmac may pursue any or all opportunities that may present themselves. In doing so the Corporation may incur debt, issue equity, or any combination of the foregoing.

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