



First Quarter Interim Period Ended July 31, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This Management Discussion and Analysis (MD&A) prepared September 27, 2008 focuses on key statistics from the unaudited consolidated financial statements of Dalmac Energy Inc. for the three months ended July 31, 2008 ("Q1'09), 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.

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 and 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 the Company. EBITDAS is not intended to represent an alternative to net income as 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.*

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 110 employees and operates a fleet of over 144 service units. Our fleet consists of "hot oiler", "acid flush", "chemical", "hydro evacuation", "vacuum", "pressure", "tanker" and "picker and winch" trucks. Other operations consist of oilfield tank and equipment rentals, 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, Edson, Warburg and Pigeon Lake.

Selected Financial Information

(000's Cdn Dollars, except per share)	Q1' 09	Q1' 08
Revenues	3,970	2,536
Gross Margin	946	698
Gross Margin %	24%	28%
General and administrative expenses	281	218
EBITDAS (loss)	267	242
EBITDAS per share - basic	0.02	0.02
EBITDAS per share - diluted	0.02	0.01
Stock based compensation	22	27
Interest	177	150
Depreciation and amortization	405	271
Net income (loss)	(425)	(198)
Net income (loss) per share - basic	(0.03)	(0.02)
Net income (loss) per share - diluted	(0.03)	(0.01)
Total Assets	22,426	23,088
Total long-term financial liabilities	5,945	6,233
Shareholder Equity	9,516	9,919
Weighted average common shares -basic	12,974,522	12,662,100
Weighted average common shares - diluted	13,568,017	16,286,369

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

Revenue

The following analysis of the Company's results of operations refers to both the period ended July 31, 2008 ("Q1'09") and July 31, 2007 ("Q1'08") as well as the year ended April 30, 2008 ("YE'08").

Total revenue for Q1'09 increased 57% to \$4.0 million from the \$2.5 million reported in Q1'08. This increase is due to more equipment being operated as a result of the purchases and acquisitions announced over the course of YE'08. EBITDAS for Q1'09 increased by 10% to \$267 thousand from the \$242 thousand reported in Q1'08. The EBITDAS for the current quarter was materially affected by spring breakup, road bans and direct costs. The Company's direct costs, of which labour and repairs comprise a large part, increased by 64% to \$3.0 million as compared to \$1.8 million reported in Q1'08. As a percentage of revenue the direct costs increased by 6% as compared to Q1'08.

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. Oil and gas servicing activity levels don't usually bounce back to their pre ban levels until the Company's third quarter of this fiscal year. The continuations to repairs, maintenance, certifications and other infrastructure costs which were made in Q1'09, due to much of the equipment being idle at this time, also placed increased pressure on operating costs in what is usually a slower than normal quarter. The direct costs for Q1'09 were further impacted by the increase in the Company fleet to 135 service compared to 105 in Q1'08.

On a going forward basis, the Company expects to further reduce some of its direct costs by adopting new cost control policies which should see much of the certification and work over repairs being completed in house as opposed to farmed out to contractors. This will be added by the recently completed 8000 square foot expansion of the service shop in Fox Creek.

The net loss for Q1'09, increased by \$227 thousand to \$425 thousand from the \$197 thousand reported in Q1'08. Factors contributing to this loss include direct costs (referenced above), amortization, increased general and administration, losses on disposal of assets and future taxes.

Gross Margin

The gross margin for Q1'09 increased by 36% or \$248 thousand to \$0.9 million from the \$0.7 million reported in Q1'08. This increase is consistent with the increased revenue resulting of the acquisitions made and new equipment procured. The competitive environment brought on by the slowdown in the oil and gas servicing sector, also affected the gross margin by placing greater downward pressure on pricing. Increased competition combined with higher direct costs culminated in a 4% reduction of gross margin, as a percent of revenue, compared to the same period last year. Competitive factors and the timing of revenues combined with infrastructure costs may cause gross margins to vary from time to time.

Expenses

Total expenses for Q1'09 increased 34% to \$1.3 million from the \$0.9 million reported in Q1'08. This represents an average monthly expense of \$433 thousand for Q1'09 compared to \$300 thousand for Q1'08. This is consistent with increased costs as a result of the acquisitions made in earlier periods.

Amortization expenses increased by \$134 thousand or 50% to \$405 thousand up from the \$271 thousand reported in Q1'08. This represents an average monthly expense of \$135 thousand compare to \$90, thousand in the previous year. This increase in amortization is consistent with the acquisitions and equipment purchases made and are dependent on the timing of additions to property and equipment.

General and administration expenses increased by \$63 thousand or 28% to \$283 thousand up from the \$218 thousand reported in Q1'08. This increased expense is consistent with the acquisitions made over the previous year.

Total interest expenses have increased by \$27 thousand 18% to \$177 up from the \$150 thousand reported in Q1'08. Interest on long term debt decreased by 3% to \$103 thousand from the \$106 thousand reported in Q1'08. The total long term and callable debt interest represents an average monthly expense of \$59 thousand as compared to \$50 thousand in Q1'08. These expense balances are consistent with the purchases made and the debt obligations paid out all of which were incurred in the normal course of business. Interest on callable debt increased by \$38 thousand or 140% to \$65 thousand up from \$27 thousand in Q1'08. Callable debt is bank debt which was used for purchases of equipment and property which were referenced in this and earlier MD&A's for previous periods

Bank charges and interest costs decreased by 47% to \$9 thousand from the \$18 thousand reported in the same period last year. This represents an average monthly expense of \$3 thousand in Q1'09 as compared to \$6 thousand in Q1'08. These bank and interest charges reflect lower balances on the Company's credit line.

The stock based compensation expense of \$22 thousand recorded in Q1'09 is associated with stock options which were issued over the course of the year. The stock based compensation expense for Q1'08 was \$27 thousand. All the stock options relating to this stock based compensation expense are subject to a three year vesting period. 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. The Company had a loss on the disposal of assets in Q1'09 of \$34 thousand as a result of a sale of equipment which was deemed no longer useful to the Company's operations. There was no such loss in Q1'08.

Income Taxes

Future taxes are essentially the liability which results from the differences between the financial statements presentation and the tax treatment of the affected transactions, assets and liabilities. As a consequence of the acquisitions made over the course of the prior year the Q1'09 future tax liability was \$88 thousand as compared to a recovery of \$9 thousand in Q1'08.

Summary of Quarterly Results

	Q1'09 Quarter Ended 31-Jul-2008	Q4'08 Quarter Ended 30-Apr-2008	Q3'08 Quarter Ended 31-Jan-2008	Q2'08 Quarter Ended 31-Oct-2007
(000's Cdn Dollars, except per share)				
Revenue	3,970	4,838	5,552	3,234
Net income (loss)	(425)	(390)	202	248
Net income (loss) per share - basic	(0.03)	(0.03)	0.02	0.02
Net income (loss) per share - diluted	(0.03)	(0.03)	0.01	0.02

	Q1'08 Quarter Ended 31-Jul-2007	Q4'07 Quarter Ended 30-Apr-2007	Q3'07 Quarter Ended 31-Jan-2007	Q2'07 Quarter Ended 31-Oct-2006
(000's Cdn Dollars, except per share)				
Revenue	2,537	2,775	3,186	2,226
Net income (loss)	(198)	5	402	(255)
Net income (loss) per share - basic	(0.02)	0.00	0.03	(0.02)
Net income (loss) per share - diluted	(0.01)	0.00	0.03	(0.02)

Liquidity and Capital Resources

The Company's capital requirements consist primarily of working capital necessary to fund operations, capital expenditures related to the purchase and manufacture of operation equipment and capital to finance strategic acquisitions. Sources of funds available to meet these capital requirements include cash flow from operations, external lines of credit, equipment financing, term loans and access to equity markets.

Liquidity and capital resources are dependent upon the results of operations, commodity prices capital expenditures and debt service charges. In Q1'09 cash flow from operating activities, including the change in non-cash working capital balances increased to \$589 thousand from \$386 thousand in Q1'08. Cash flow from operating activities in the current period was impacted by an increase of \$485 thousand in non-cash working capital balances. In the same period last year the non-cash working capital balances contributed to a cash flow decrease of \$294 thousand.

At the end of Q1'09 the Company had as working capital deficit of \$1.3 million compared to a deficit of \$0.9 million for Q1'08. The callable debt (bank financing for property mortgage and equipment purchases) has been excluded from the calculation of working capital and 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.

Long-Term Debt

In Q1'09 long term debt obligations for property, plant and equipment in decreased \$158 thousand to \$4.1 million compared to \$4.3 million in Q1'08. These balances reflect expenditures which were mainly for operating equipment purchases either directly or through acquisitions.

Callable debt decreased \$111 thousand to \$1.6 million from \$1.7 million recorded in the same period last year. Capital lease obligations also decreased by \$13 thousand to \$206 thousand from \$220 thousand in the same period last year. The decrease in callable and long term debt is

consistent with decreasing balances on financings related to equipment purchases and acquisitions referenced in earlier MD&A's. Bank indebtedness on the operating line decreased to \$1.7 million from \$1.9 million in Q1'08 2007 as a result of increased revenue from operational activities.

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 decreased by \$0.4 million, or 4% to \$9.5 million from the \$9.9 million reported in YE'08.

Outstanding Share Data

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

<u>Common Shares</u>	<u>Options</u>	<u>Warrants</u>
12,974,522	1,157,629	Nil

Subsequent Events

On September 15, 2008 Dalmac, completed the acquisition of the business and assets of Tinky Rentals L.P. and Tinky Trucking L.P. (the "Tinky Group") of Edson, Alberta for a purchase price of \$3.8 million. Of this amount, \$2.0 million was paid on closing with the balance being paid by vendor take back debt and preferred shares of Dalmac's subsidiary, 1421771 Alberta Ltd., which was formed for the purpose of making the acquisition. The \$2.0 million cash portion consists of \$1.0 million bank financing and the balance from cash reserves. This acquisition is considered to be substantially accretive to Dalmac's operations and management is looking forward to increased activity stemming from the synergistic and complementary nature of the combined operations.

Outlook

Producers' have begun to increase spending on drilling, completions and workovers of existing wells and this is resulting in an increased demand for the Dalmac's services. With continued guarded optimism for stronger oil and gas prices, the outlook for the remainder of fiscal 2009 remains positive. The current crisis in the financing sector is creating turbulent fluctuations in commodity pricing. The length and extent of this crisis and the effect it will have on equities and commodities is uncertain at this time.

Management remains hopeful that the troubled American financial sector will find a workable solution towards restoring confidence in the markets as a whole which can in turn create a more stable base for the pricing of equities and commodities.

The producers' current increases in capital expenditures for the west central Alberta region, along with Dalmac's recent acquisition of the Tinky Group, should result in greater and increased opportunities for Dalmac. With the winter drilling season fast approaching management is anticipating much higher levels of activity compared to the previous year.

Dalmac continues to strive toward achieving an optimal balance of commitment to production services and drilling activities. Dalmac is dedicated to maintaining strong and healthy working relationships with our customers by providing them an increased range products and services which target a broader 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.

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: These assets 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: The Company's 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. These include risks associated with the current crises in the financial sector in the United States, which is having an impact on commodity prices, the availability of credit, and other factors that affect the business of the Company. 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.

Changes in Accounting Policies

On May 1, 2008, the Company adopted CICA Handbook Sections 3130 "Inventories", Section 3862 "Financial Instruments – Disclosures", Section 3863 "Financial Instruments – Presentation", and Section 1535 "Capital Disclosures" These new standards have been adopted on a prospective basis with no restatement of prior periods.

Section 1535 requires the Company to disclose quantitative and qualitative information regarding its objectives, policies and processes for managing its capital. The Company has included this information as Note 4 to the Q1'09 financial statements.

Section 3031 requires inventories to be measured at the lower of cost or net realizable value and the reversal of previously recorded write downs to realizable value when the circumstances that caused the write down no longer exist. The new standard did not have a material impact on the Company's financial statements for Q1'09.

The new Sections 3862 "Financial Instruments – Disclosures" and 3863 "Financial Instruments – Presentation" will prescribe the requirements for presentation and disclosure of financial instruments. These two new standards increase the Company's disclosure regarding the nature and extent of the risks associated with financial instruments and how these risks are managed.

In February 2008 the Canadian Institute of Chartered Accountants issued Section 3064 "Goodwill and Intangible Assets" replacing Section 3062, "Goodwill and other intangible assets". The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard will be applicable to the Company on May 1, 2009. The Company is currently evaluating the impact of this new section on its financial statements.

With the Canadian Accounting Standards Board's recent announcement that January 1, 2011 as the date International Financial Reporting Standards ("IFRS") will replace current Canadian GAAP for publicly accountable enterprises, the Company, has been carefully evaluating its own implementation plan and assessing the impact the various accounting changes will have on the organization. As the final implementation date approaches, the Company will continue to monitor developments.

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