



Second Quarter Interim Period Ended October 31, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

*This Management Discussion and Analysis ("MD&A") prepared December 22, 2008 focuses on key statistics from the unaudited consolidated financial statements of Dalmac Energy Inc. for the three and six months ended October 31, 2008 ("Q2'09"), 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 period 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](http://www.sedar.com) or on the Corporation's web site at [www.dalmacenergy.com](http://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 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.*

**Forward Looking Statements:** *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., 1421771 Alberta Ltd. and 1353245 Alberta Ltd.*

### **Overview**

Dalmac Energy Inc. is a public company which has traded on the TSX Venture exchange since January 2004. Dalmac is a leading oilfield fluid handling services provider which offers chemical sales, transport, pumping and well intervention and disposal services throughout west central Alberta from its 5 operating locations based in Fox Creek, Hinton, Edson, Warburg and Pigeon Lake. The Corporation employs over 115 people, and has over 250 pieces of rental equipment along with 144 pieces of rolling stock including, tank, vac, hydro-vac, pressure, hot oiler, acid flush, steamer, picker and winch trucks. Headquartered in Edmonton, Alberta, the Corporation's operations have been providing oilfield services to west central Alberta for over 50 years.

## Selected Financial Information

(000's Cdn Dollars, except per share data)	Q2' 09	Q2' 08
Revenues	5,167	3,234
Gross Margin	1,617	1,117
Gross Margin %	31%	35%
General and administrative expenses	313	250
EBITDAS (loss)	835	580
EBITDAS per share - basic	0.06	0.04
EBITDAS per share - diluted	0.06	0.03
Stock based compensation	22	53
Interest	181	155
Depreciation and amortization	430	304
Net income (loss)	148	4
Net income (loss) per share - basic	0.01	0.00
Net income (loss) per share - diluted	0.01	0.00
Total Assets	25,561	23,088
Total long-term financial liabilities	6,406	6,233
Shareholder Equity	9,686	9,919
Weighted average common shares -basic	12,974,522	12,581,325
Weighted average common shares - diluted	13,562,462	16,301,077

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

## Operating Results

The following analysis of the Company's results of operations refers to both the ended October 31, 2008 ("Q2'09") and October 31, 2007 ("Q2'08") as well as the year ended April 30, 2008 ("YE'08"). As a result of the YE'08 adjustments to prior periods the Q2'08 results are restated in this MD&A. For abbreviation purposes, million(s) will be referenced as "M" and thousand(s) will be referenced as "K".

Total revenue for Q2'09 increased 60% to \$5.2M from the \$3.2M reported in Q2'08. The year to date revenues increased by 58% to \$9.1M from the \$5.8M reported for the same period of the previous year. This increase in revenue is due to the increase in operating assets stemming from the acquisitions made since last year. The latest acquisition was Tinky Rentals L.P. and Tinky Trucking L.P. (the "Tinky Group") of Edson, Alberta which was completed September 15, 2008.

The gross margin for Q2'09 increased by 45% to \$1.6M from the \$1.1M reported in Q2'08. The year to date gross margin increased by 38% to \$2.6M from the \$1.9M reported in the same period last year. The year to date gross margin, as a percent of revenue, decreased by 4.0% as compared to same period last year. The gross margin was affected by the competitive environment in the current market conditions which placed downward pressure on pricing and to a lesser degree by the reclassification of certain sales expenses as direct costs. Competitive factors and the timing of revenues combined with infrastructure costs may cause gross margins to vary from time to time.

EBITDAS for Q2'09 increased by 44% to \$835K from the \$580K reported in Q2'08. The year to date EBITAS increased by 13% to \$1.2M from the \$735K reported for the same period in the previous year. The EBITDAS for the current quarter was materially affected by inventory product sales of methanol which were purchased at a higher price earlier in the year and were sold at a discount due to a drop in market prices of the product. The market price drop in the product resulted in a loss of about \$35K. The Q2'09 direct costs, of which labour and repairs comprise a large part, increased by 60% to \$3.5M as compared to \$2.1M reported in Q1'08. The year to date direct cost increased by 68% to \$6.6M from the 3.9M reported in the previous year. The year to date product costs increased by 146% to \$473K from the \$192K reported for the same period last year. These costs as a percentage of direct costs represent an increase of 2.3% over the prior year.

which is largely due to a reallocation of expenses directly associated with the product sales which were previously classified as indirect costs.

Q2 is traditionally the second slowest quarter after Q1 which was directly impacted by 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 do not usually bounce back to their pre-ban levels until the Company's fiscal third quarter. To a large degree activity levels in Q2 are still being affected by the circumstances resulting from Q1. In addition, the continuations to repairs, maintenance, certifications and other infrastructure costs, which were made in Q1 continued to affect the direct costs in Q2. On a going forward basis, the Company expects further direct cost reductions by adopting new cost control policies which should see much of the certification and repairs being completed in house as opposed to being outsourced. The completion of a new 8000 square foot shop expansion in Fox Creek will also help with realizing greater savings as it will enable Company service personnel to complete more necessary work in-house at more than half the labour cost.

The net income for Q2'09 increased by 3320% to \$148K from the \$4K reported in Q2'08. The income from operations for Q2'09 increased by 445% to \$205K from the \$37K reported in Q2'08. The net loss year to date increased by 43% to \$277K from the \$193K reported for the same period last year. At the same time the year to date income loss from operation decreased by 48% to \$109K from the \$208K reported in the prior year.

### **Expenses**

Total expenses for Q2'09 increased by 30% to \$1.4M from the \$1.1M reported in Q2'08. The year to date expenses increased by 29% to \$2.6M from the \$2.1M reported for the same period last year. This increase in expenses is consistent with the increased costs associated with the operational expansions and acquisitions made over the course of the year.

Amortization for Q2'09 increased by 41% to 430K from the \$304K reported in Q2'08. The year to date amortization increased by 45% to \$835K from the \$575K reported last year. This increase is consistent with the additional operating equipment acquired through the acquisitions announced earlier in this and earlier MD&As.

General and administration expenses for Q2'09 increased by 18% to \$320K from the \$262K reported in Q1'08. The year to date expenses increased by 19% to \$615K from \$497K as reported in the same period last year. This increased expense is consistent with the acquisitions made by the Company.

Total interest expenses for Q2'09 increased by 16% to \$181K from the \$155K reported in Q2'08. The year to date total interest expense also increased by 16% to \$345K from the \$299K reported in the same period last year. The year to date interest on long term debt decreased by 1% to \$206K from the \$207K reported in the same period last year. Interest on callable debt for Q2'09 increased 118% to \$125K from the \$57K in the previous year. 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. The year to date bank charges and interest costs decreased by 53% to \$16K from the \$34K reported in the same period last year.

All of the above expenses are consistent with the purchases made and the debt obligations repaid over the course of the year and which were incurred in the normal course of business.

The stock based compensation expense for Q2'09 was \$22K compared to \$53K in Q2'08. The current year to date expense was \$43K compared to \$81K for the same period last year. 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. All the stock options relating to this stock based compensation expense are subject to a three year vesting period.

For the six month period ended at Q2'09, the Company had a loss on the disposal of assets in the amount of \$69K as compared no such losses at the same period last year. This loss is associated with the sale of equipment which was deemed no longer useful to the Company's operations.

### 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 the future tax liability for Q1'09 was \$25K compared to a \$62K in Q2'08. The year to date future income taxes increased by 22% to \$615K compared to the \$502K recorded at YE'08. As a result of the carry forward of tax losses, the Company had no income tax expenses for Q2'09.

### Summary of Quarterly Results

	Q2' 09	Q1'09	Q4'08	Q3'08
	Quarter Ended	Quarter Ended	Quarter Ended	Quarter Ended
(000's Cdn Dollars, except per share data)	31-Oct-2008	31-Jul-2008	30-Apr-2008	31-Jan-2008
Revenue	5,167	3,970	4,838	5,552
Net income (loss)	148	(425)	(390)	202
Net income (loss) per share - basic	0.01	(0.03)	(0.03)	0.02
Net income (loss) per share - diluted	0.01	(0.03)	(0.03)	0.01

	Q2'08	Q1'08	Q4' 07	Q3' 07
	Quarter Ended	Quarter Ended	Quarter Ended	Quarter Ended
(000's Cdn Dollars, except per share data)	31-Oct-2007	31-Jul-2007	30-Apr-2007	31-Jan-2007
Revenue	3,234	2,537	2,775	3,186
Net income (loss)	4	(198)	5	402
Net income (loss) per share - basic	0.00	(0.02)	0.00	0.03
Net income (loss) per share - diluted	0.00	(0.01)	0.00	0.03

### 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. The Corporation has \$26M in assets and \$16M in liabilities. The current net book value of the Company's common shares is \$0.77 per share. On a fair market basis the asset value per share would be considerably greater.

Liquidity and capital resources are dependent upon the results of operations, commodity prices, capital expenditures and debt service charges. The Q2'09 cash flow from operating activities increased by 55% to \$659K from the \$424K reported in Q2'08. Non cash working capital for the same period also decreased by 46% to \$158 from the \$290 reported in Q2'08. The year to date

cash from operating activities increased by 51% to \$783 from the \$517 reported at the same period last year. The year to date changes in non cash working capital also increased to \$327k from the \$4k reported in the previous year. In Q2'09 investing activities decreased by \$359K from Q2'08 as compared to year to date decrease of \$4.0M from the \$8.0M reported in the previous year. Financing activities, in Q2'09, decreased by \$66K to \$2.2M from the \$2.3M reported in Q2'08. The year to date cash from financing activities decreased by \$2.0M to \$1.7M from the \$3.7M reported in the same period last year. At October 31, 2008 cash and cash equivalents stood at \$348K compared to \$1.7M in the previous year.

On October 23, 2008 the Company renewed its finance facility with its major lender. The new agreement provides for a \$1.0M increase to the existing demand revolving operating overdraft segment and a further increase of \$1.0M to the demand revolving loan segment. The combined total facility is for \$8.0M which is comprised of \$4.0M for the operating overdraft segment and \$4.0M for the revolving loan segment. The unused portions of these facilities at Q2'09 is about \$1.7M on the operating overdraft and about \$1.0M on the loan segment portion. Entering into this new facility constitutes a waiver of the covenant non-compliance issues referenced in the YE'08 financial statements.

At the end of Q2'09 the Company had a working capital deficit of \$3.0M compared to a deficit of \$899K at Q2'08. This deficit includes \$2.3M of bank credit line which supplements the cash flow. 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**

The current portion of long term debt, including the callable portion thereof increased to \$2.8M from 2.6M as reported at YE'08. At Q2'09 the long term debt obligations for property, plant and equipment decreased to \$3.8M from the \$4.3M at YE'08. These balances reflect expenditures which were mainly for operating equipment purchases either directly or through acquisitions of business concerns.

Callable debt increased 35% to \$2.4M from the \$1.7M reported at YE'08. Capital lease obligations also decreased by 13% to \$193K from the \$220k reported at YE'08. The decrease in callable and long term debt is consistent with decreasing balances on financings related to equipment purchases and acquisitions. As a result of increased operational activities, bank indebtedness on the operating line increased to \$2.3M from \$1.9M reported at YE'08.

As part of the September 15, 2008 purchase of the Tinky Group, the Corporation authorized the issuance of 900,000 preferred shares from 1421771 Alberta Ltd., which is a wholly owned subsidiary of the Corporation. This transaction is recorded in the financial statements of the current period as a non-controlling interest in a subsidiary in the amount of \$900K.

### **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		323,748	368,557	342,925	297,105	164,450
	\$	846,530	717,229	382,548	300,567	165,893

### **Shareholders' Equity**

Consistent with the results of operations, shareholders' equity decreased by 3% to \$9.7M, from the \$9.9M reported at YE'08 even though the total assets increased by 11% to \$26M from the \$23M reported in the previous year.

### **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	Nil

### **Subsequent Events**

On December 11, 2008 the Company entered into a new finance facility with its major lender to increase its credit facilities by \$1.6M. This new facility is intended to restructure existing credit facilities with other lenders which will reduce our monthly payments by about \$50K. The total borrowing facilities with the major lender currently stands at \$9.6M, of which \$3.6M are currently unused. In December of this year the company also restructured the financing facilities with other lenders on more favorable terms, which has resulted in an increase of available cash flow to the Company of over \$350K over the 2 months of December and January.

### **Outlook**

The quarter ended at Q2'09 has witnessed volatile swings in commodity pricing precipitated largely by the global and financial turmoil in the financial and equity markets. Although the weaker commodity prices have been somewhat buffered by the devaluation of the Canadian dollar relative to its US counterpart the continuing credit market instability may still adversely impact the energy industry for the near term.

The Corporation expects that the current restructuring of its financing obligations on more favorable terms, along with the additional cash flow availability should improve Dalmac's financial position and give the Company greater flexibility to deal with any unanticipated short term fluctuations of activity levels.

Dalmac continues to earn revenue through the provision of specialized oilfield fluid hauling, pumping, well intervention and disposal services along with the transportation of products, materials, supplies and equipment required for the exploration, development and production of oil and gas resources. The demand for the Company's services to a fair extent is correlated with the economic conditions of the energy industry which in turn is largely measured by the number of new well completions in the Western Canadian Sedimentary Basin ("WCSB"). In recent history the WCSB has experienced record levels of oil and gas drilling.

The key factors which ultimately drive exploration and drilling levels are commodity prices and the demand for hydro carbons. From 2005 – 2006 the industry has experienced record levels of drilling utilization which when coupled increased in international gas production along with a slowing economy has resulted in higher than normal levels of natural gas inventory storage. This invariably placed downward pricing pressure on the gas commodity prices which in turn had a direct effect on the number of gas wells drilled in the WCSB from 2007 to the first half of 2008. In the third quarter of 2008 rig utilization began to improve somewhat but that trend became overshadowed by the recent falling commodity prices resulting from deteriorating economic conditions in almost all the developed economies of the world.

On May 22, 2008 the Canadian Association of Oilwell Drilling Contractors ("CAODC") increased its 2008 forecast of new well completions to 18,087. This represented a 6% decrease from the previous year. In a subsequent revision dated October 27, 2008 the CAODC reduced its

estimate of new well completions for 2008 to 15,223 and estimated 14,325 well completions for 2009. On the heels of this latest forecast, the Alberta government announced changes to its 2007 royalty rate framework which is expected to commence in early 2009. The new royalty changes are expected to apply to new wells that meet certain criteria and could have a materially positive effect on the number of well completions forecasted for 2009.

Given that currently over 70% of Dalmac's revenues stem from existing production, any new drilling and production coming on stream will serve to further benefit the Company's revenue base. Dalmac continues to strive toward achieving an optimal balance of commitment to production services and drilling activities. Dalmac is dedicated to maintaining a strong and healthy working relationship with our customers by providing a select range of products and services in order to better target a more comprehensive 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 from the estimates.

*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 3 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 is 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 and their impact on the Company.

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