

Dalmac earns \$247,920 in Q2 2008

Dalmac Energy Inc (C:DAL)
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Mr. John Babic reports

DALMAC ENERGY INC.: SECOND QUARTER RESULTS PRESS RELEASE

Dalmac Energy Inc. had net earnings of \$247,920 for the second quarter ended Oct. 31, 2007.

Revenue for the second quarter of 2008 increased by \$1.0-million, or 45 per cent, to \$3.2-million, from the \$2.2-million reported in the same period last year. The current year-to-date revenue increased \$1.3-million, or 31 per cent, to \$5.7-million, from the \$4.4-million reported in the previous year. Net income for the second quarter of 2008 increased by \$505,428, or 196 per cent, to \$247,920, from a loss of \$257,508 reported in the second quarter of 2007. The the 2008 year-to-date income also increased by \$414,661, or 114 per cent, to \$50,417, from a loss of \$364,244 reported in year to date in 2007. In the second quarter of 2008, the corporation had a recovery of expenses of \$243,593, derived from a review of goods and services tax input credits not claimed in previous periods. This review is continuing and further adjustments may be made.

The second quarter of 2008 income from operations increased by \$351,773, or 112 per cent, to \$36,892, from a loss of \$314,881 reported in the second quarter of 2007. The year-to-date income from operations increased by \$324,300, or 61 per cent, to a loss of \$207,935, compared with a loss of \$532,235 reported in year to date of 2007. The earnings before interest, tax, depreciation and amortization (EBITDA) for the second quarter of 2008 increased by \$700,000, or 7,025 per cent, to \$800,000, from a loss of \$10,079 reported in the second quarter of 2007. The year-to-date EBITDA increased \$700,000 to \$1.0-million, from the \$100,000 reported in year to date 2007. Most of these increases occurred in the second quarter of 2008, and where commensurate with increased production activity generated by new equipment purchases and the acquisitions made during the first half of the current fiscal year.

SUMMARY OF QUARTERLY RESULTS

For the three months ended Oct. 31

(in thousands of dollars, except per share amounts)

	2007	2006
Revenues	3,234	2,226
Gross margin	1,117	510
Gross margin %	34.54%	22.92%
EBITDA (1) (loss)	759	(10)
Net income (loss)	248	(255)
Net income per share -- basic	0.02	(0.02)
Net income per share -- diluted	0.02	(0.02)
Total assets	23,033	18,309
Total long-term liabilities (2)	6,958	4,130
Shareholder equity	9,904	9,392

(1) EBITDA is a financial measure that does not have any standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP) and may not be comparable with similar measures presented by other companies. EBITDA is used by the corporation to provide an indication of the results generated by the corporation's business activities, prior to how these activities are financed, assets are amortized, or how the results are taxed in various jurisdictions.

(2) Long-term liabilities includes callable debt, long-term debt and capital lease obligations, but excludes the current portion of such liabilities.

The gross margin in the second quarter of 2008 increased by \$600,000, or 119 per cent, to \$1.1-million, from the \$500,000 reported in the second quarter of 2007. Gross margin as a percentage, for the second quarter of 2008, increased by 12 per cent, to 35 per cent, from the 23 per cent reported in the second quarter of 2007. The year-to-date gross margin, increased by \$800,000, or 75 per cent, to \$1.9-million, from the \$1.1-million reported in the same period last year. The increase in the gross profit margin resulted from improved controls over direct operating costs and by optimizing use of company assets. This is borne out by the fact that, in the second quarter of 2008, revenue increased by 45 per cent over the previous year, while gross margin increased by 119 per cent. The year-to-date revenue increased by 17 per cent and gross margin increased by 75 per cent, as compared with the same period last year.

As of the second quarter of 2008, Dalmac had completed a \$4.4-million equipment purchase announced in fiscal 2007. There are two pressure truck units remaining to be delivered in early third quarter, which total about \$600,000. The corporation also completed two acquisitions during first half of the current fiscal year. The first acquisition consisted of North End Oil Industries Ltd., which was completed on May 1, 2007, and the second was for KD Trucking (1989) Ltd., which was completed on Oct. 1, 2007. The two acquisitions were purchased for \$1.9-million and \$3.6-million, respectively. Currently, Dalmac's operating fleet consists of about 135 service units.

The acquisition of North End and KD, has allowed Dalmac to extend its operations from the foothills of Rocky Mountains to the plains of central Alberta. Dalmac expects that this will allow for increased equipment use and less cyclical quarters. The central Alberta operations are more conducive to year-round work, which is mainly production related. The above-mentioned acquisitions will provide Dalmac with greater flexibility to take advantage of the production and well-servicing opportunities in the energy sector.

Dalmac is committed to expanding its baseline revenue stream by focusing on the production sector and maintaining careful attention toward optimizing its exposure between drilling and production activities. Production operations apply to everything involved in bringing the oil and gas products to market, including production hauls, plant turnarounds and maintenance.

Outlook

The activity levels for oil and gas drilling and service industry continues to remain uncertain for the short term. Drilling activity levels are very much dependent on price movements of natural gas. While the above conditions are expected to continue over the near future, Dalmac anticipates that the decreased drilling activity will eventually help decrease the North American gas storage levels, which will then in

turn stimulate the demand for drilling services in the Western Canada sedimentary basin. Additionally, during periods of reduced drilling activity, producers are also more likely to focus efforts on stimulating and working over existing wells, in order to maximize production and cash flows, which in turn will serve to stimulate increased activity levels for the corporation. Dalmac is encouraged by the indications of demand for its services.

While the general drilling activity levels are lower than in the previous year, the corporation continues to maintain good relationships with its customer base, and has balanced its exposure to drilling compared with production work. The latter is less affected by reduced capital spending and drilling activity.

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