

For Immediate Release

October 1, 2006

For the First Three Month Quarter Ended July 31, 2006 (Q1'07)

**Edmonton, Alberta – John Babic, President and CEO of Dalmac Energy Inc.** ("Dalmac") (TSX Venture "DAL") announces the operating results of first quarter of fiscal 2007, ended July 31, 2006.

Net income in Q1'07 improved by \$151,948 to (\$85,869) or 64% from (\$237,817) reported last year. Earnings per share improved to (\$0.01) from (\$0.04) in the previous year. This is a reflection of improved operational efficiencies and cost controls. The 3 month revenue for Q1'07 decreased by \$0.6 million to \$2.2 million or 22% from the \$2.8 million reported in the comparative last year. Revenues were mainly impacted by an early thaw and wet spring which resulted in more road closures than last year. The Q1 quarter is traditionally the slowest quarter due to spring breakup. Because of this, the Company historically schedules the majority of its operating equipment for overhaul and annual recertification during this period. Also, many of our customers, took time off for holidays during this period especially after very frenzied pace of activity over the past year and as a consequence certain jobs were postponed. The MD&A 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).

In Q1'07, the gross margin decreased marginally by \$33,579 to \$560,379 or 5% from the \$592,958 in the previous year. The decrease in gross margin is a reflection of both lower activity levels primarily due to spring breakup conditions and the other issues mentioned in the previous paragraph. Quarterly results for July 31, 2004 are unavailable because Dalmac was not a reporting issuer and had not operations..

### Summary of Quarterly Results

	Q1'07 Ended Jul 31 2006	Q1'06 Ended Jul 31, 2005
(000's Cdn Dollars, except per share)		
Revenue	2,195	2,807
Gross Margin	560	593
Net income (loss)	(86)	(238)
Net income per share - basic	(0.01)	(0.04)
Net income per share - diluted	(0.01)	(0.04)
Total Assets	15,086	9,410
Total Long Term Debt	2,553	3,453

### Corporate Overview

Dalmac Energy Inc. is a provider of "hot oiler", "hydro vac", "vacuum", "pressure" and "tanker truck" services to the west central Alberta energy sector. Other products and services provided by the Company include "methanol/glycol", and "KCL" distribution and delivery. The Company presently has a total of 67 service units. Dalmac has committed to a \$5.0 million procurement of new equipment, via direct purchase and or lease, which is expected to be delivered by the third quarter of fiscal 2007 (Q3'07). This latest purchase will increase the number of service units to 89.

## Outlook

As we enter into our second quarter we are witnessing certain industry reactions to fluctuations in commodity pricing. There has been a build up in North American natural gas storage levels in recent months which has caused declines in natural gas prices. This has caused some delays and or budget reductions to the drilling and production programs of certain oil and gas producers. Dalmac expects that there will be slightly lower than expected industry activity in drilling activities of shallow gas producers.

Natural gas, the main driver behind the oil field activity, is undergoing a period of reduced demand due to lower summer demand associated with a cooler than normal summer in the US. This has resulted in lower natural gas prices and a revision of capital expenditures by some producers. Oil prices, on the other hand, continue to remain high and reservoir declines tend to propagate continued activity. Exploration and production from the Western Canadian Sedimentary Basin is also continuing at near record levels. This, in turn, creates a healthy environment for Dalmac's products and services in the foreseeable future. Outside of the normal seasonal fluctuations, Dalmac has not experienced any reduction in demand for its products and services.

The steady and growing demand for Dalmac's products and services continues to result in work turn downs due to limited capacity. This indicates excellent growth opportunities for Dalmac. Fiscal 2007 is expected to be another record year for Dalmac and we are encouraged by the expected growth in revenue.

Dalmac believes it has adequate working capital, cash flow from operations, and access to capital to fund its ongoing business requirements. Management believes the Company has a cost structure that has sufficient variability to be able to adapt to the volatility of the industry. Dalmac has experienced management at all levels of operations.

Dalmac is currently reviewing expansion opportunities, including possible acquisitions, which may involve the requirement for capital expenditures beyond the normal course for the Company. Dalmac may pursue any or all these opportunities that may present themselves. In doing so the Company may incur debt, issue equity, or any combination of the foregoing.

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*Statements throughout this report that are not historical facts may be considered "forward looking statements". Such statements are based on current expectations that involve risks and uncertainties, which could cause actual results to differ from those anticipated. Important factors that can cause anticipated outcomes to differ materially from actual outcomes include the impact of general economic conditions, industry conditions, competition from other industry participants, volatility of petroleum prices, the ability to attract and retain qualified personnel, changes in laws or regulations, currency fluctuations, continued ability to access capital from available facilities and environmental risks. References in this MD&A to "Dalmac", the "Corporation", "Company", "us", "we" and "our" mean Dalmac Energy Inc. and its subsidiary McClelland Oil Services Inc*

*The TSX Venture Exchange does not accept responsibility for the adequacy or accuracy of this release.*