



First Quarter Interim Period Ended July 31, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This Management Discussion and Analysis ("MD&A") prepared September 28, 2009 focuses on key statistics from the unaudited consolidated financial statements of Dalmac Energy Inc. for the three months ended July 31, 2009 ("Q1'10") 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 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 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. (TSX Venture "DAL") is a growing company which specializes in oilfield servicing, fluid hauling, chemical sales, tank rentals and rig moving. Headquartered out of Edmonton, Dalmac's operations have been servicing west central Alberta for over 53 years. The Company's equipment consists of 167 pieces of rolling stock service equipment which includes, tank, vacuum, hydro-vac, pressure, hot oiler, acid flush, steamer, picker and winch trucks in addition to 250 pieces of oilfield tanks and matting which is rented out to customers. Dalmac currently employs over 110 people in its operations in Fox Creek, Hinton, Edson, Warburg and Pigeon Lake, Alberta.

Operating Results

The following analysis of the Company's results of operations refers to the three months ended July 31, 2009 and 2008 ("Q1'10" and "Q1'09") and the year ended April 30, 2009 ("YE'09"). Other abbreviations used in this MD&A include "M" for million(s) and "K" for thousand(s).

Selected Financial Information

(000's Cdn Dollars, except per share data)	Q1'10	Q1'09
Revenues	3,567	3,970
Gross Margin	453	946
Gross Margin %	13%	24%
General and administrative expenses*	323	291
EBITDAS (loss)	(377)	223
EBITDAS per share - basic	(0.03)	0.02
EBITDAS per share - diluted	(0.03)	0.02
Stock based compensation	4	22
Interest	162	168
Depreciation and amortization	491	403
Impairment of Goodwill	0	0
Net income (loss)	(805)	(425)
Loss per share - basic	(0.06)	(0.03)
Loss per share - diluted	(0.06)	(0.03)
Total Assets	21,478	23,946
Total long-term financial liabilities**	5,397	6,033
Shareholder Equity	7,274	8,075
Weighted average common shares -basic	12,974,522	12,974,522
Weighted average common shares - diluted	12,974,522	12,974,522

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

** Includes callable debt and callable capital lease obligations due beyond one year.

Total revenue for Q1'10 decreased by 10%, or \$403K, to \$3.6M from the \$4.0M reported at Q1'09. This decrease in revenue was largely due to the slowdown in the oil and gas sector as a result of the seasonal and general economic conditions stemming from the world wide recession. The gross margin for Q1'10 decreased by 52% or \$493K to \$453K from the \$946K reported in Q1'09.

The Company has since responded to this erosion of profit margins by reducing purchasing costs wherever possible, including without limitation, the elimination of 5 non-essential staff positions, restricting any non-essential overtime and restructuring overlapping start- stop times for shop and dispatch personnel. The effect of which is expected to have an impact starting in the second quarter of the current fiscal year. The Company has scheduled a general wage cut of about 7%, which includes management, office and field staff, and is scheduled to commence in the second quarter of this fiscal year.

In Q1'10 the Company had an EBITDAS loss of \$377K, compared to a gain of \$223K as reported in Q1'09.

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 the Company's fiscal year.

Expenses

In Q1'10 the expenses increased by 18%, or \$227K, to \$1.5M from the \$1.3M reported in Q1'09. This increase in expenses is consistent with the increased costs associated with the operational expansions and acquisitions made in the previous year.

The amortization of property and equipment for Q1'10 increased by 22%, or \$88K, to \$494K from the \$405K reported last year.. This increase is also consistent with the additional operating equipment acquired through the acquisition described in earlier MD&As. Amortization is dependent on the timing of additions to property and equipment.

The total interest expenses for Q1'10 decreased by 3.4%, or \$6K, to \$162K from the \$168K reported in Q1'09. This is consistent with the general decrease in interest rates.

All financing done through the Corporation's bank is referenced as callable debt. Callable debt was used for purchases of equipment and property referenced in this and earlier MD&A's for previous periods.

Stock based compensation expense in Q1'10 decreased by 83%, or \$18K, to \$4K compared to the \$22K reported in Q1'09. Stock based compensation 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. Stock based compensation is not referenced independently in the financial statements but is included as part of wages and benefits (For further reference see note 14-d of YE'09 financial statements). All the stock options relating to this stock based compensation expense are subject to a three year vesting period.

Income Taxes

At Q1'10 the company was not in a taxable position. The future tax benefit at Q1'10 was reduced by \$229,456 from the amount reported at YE'09. Future taxes are a liability which largely results from the differences between what is presented in the financial statements and the tax treatment of the affected transactions, assets and liabilities. In Q1'10 there was not future tax liability.

Summary of Quarterly Results

	Q1'10	Q4'09	Q3'09	Q2'09
	Quarter Ended	Quarter Ended	Quarter Ended	Quarter Ended
(000's Cdn Dollars, except per share data)	31-Jul-09	30-Apr-09	31-Jan-09	31-Oct-08
Revenue	3,567	6,200	6,535	5,167
Net income (loss)	(805)	(2,414)	236	148
Net income (loss) per share - basic	(0.06)	(0.19)	0.02	0.01
Net income (loss) per share - diluted	(0.06)	(0.19)	0.02	0.01

	Q1'09	Q4'08	Q3'08	Q2'08
	Quarter Ended	Quarter Ended	Quarter Ended	Quarter Ended
(000's Cdn Dollars, except per share data)	31-Jul-08	30-Apr-08	31-Jan-08	31-Oct-07
Revenue	3,970	3,970	5,551	3,234
Net income (loss)	(425)	(337)	202	4
Net income (loss) per share - basic	(0.03)	(0.03)	0.02	0.00
Net income (loss) per share - diluted	(0.03)	(0.03)	0.01	0.00

Liquidity and Capital Resources

The Company's capital requirements consist primarily of working capital necessary to fund operations, capital expenditures related to the purchase 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. Cash flow from operating activities, in Q1'10, increased by 31%, or \$191K, to \$801K from the \$609K reported in Q1'09. Investing activities decreased 99%, or \$217K, to \$2K from the \$219K reported during the same period last year. The financing activities in Q1'10 increased 64%, or \$318K, to \$817K from the \$499K as reported in the prior period. Cash and cash equivalents at the end the period decreased by 88% or \$1.3M to \$181K from the \$1.5M reported at the same period last year. The aforementioned variance is directly attributable to the acquisition of Tinky Rentals L.P. and Tinky Trucking L.P. (the "Tinky Group") of Edson, Alberta which was completed September 15, 2008.

Long-Term Debt

In Q1'10 the long term debt, for property and equipment, decreased by 10%, or \$282K, to \$2.5M from the \$2.8M reported at YE'09. Callable debt decreased by 11%, or \$336K, to \$2.7M from the \$3.0M reported at YE'09. These balances reflect expenditures which were mainly for operating equipment purchases either directly or through acquisitions of business concerns. In Q1'10 capital lease obligations decreased by 9%, or \$14K, to \$151K from the \$165K reported at YE'09. The increase in callable is consistent with increasing balances on financings related to equipment purchases and acquisitions. As a result of increased operational activities, bank indebtedness on the operating line decreased to by 3%, or \$83K, to \$2.7M from the \$2.8M reported at YE'09.

At YE'09 certain debt covenants with respect to the Company's credit facilities had not been met. The current ratio requirement of 1:1 was at 0.64:1 and the debt service ratio of 1.10:1 was at 1.06:1. Dalmac is currently working with its bank to remedy these covenant breaches by restructuring the terms of its current portion and long term debt.

Working Capital

In Q1'10, excluding callable debt and callable capital lease obligations due beyond one year, the Company had a working capital deficit of \$4.6M compared to a deficit of \$3.4M in Q1'09. This deficit consists of \$2.7M credit line balance which supplements the working capital. 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.

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

	2010	2011	2012	2013	2014
Equipment	\$ 30,988	9,323	3,462	1,443	2,909
Premises	491,702	457,595	347,955	109,633	
Management Contracts	252,114	50,000	-	-	-
	<u>\$ 774,804</u>	<u>516,918</u>	<u>351,417</u>	<u>111,076</u>	<u>2,909</u>

Management contracts: The Company pays consulting fees of \$10K per month, pursuant to a contract agreement expiring on September 1, 2010. In addition, if the Company's net income after tax reaches or exceeds \$800K, the contract agreement requires a bonus payment of 2% of the Company's net income after tax. The Company also pays consulting fees of \$10K per month, pursuant to a contract agreement expiring on September 15, 2009. In addition, the consultant is entitled to a bonus based upon EBITDA to a cumulative maximum bonus of \$200K. Also as referenced in the YE'09 MD&A, the Company pays a related party consulting fee of \$12K per month, increasing by 10% per year, pursuant to an agreement expiring on November 14, 2009.

Shareholders' Equity

Consistent with the results of operations, shareholders' equity decreased by \$801K to \$7.3M, from the \$8.1M reported at YE'09.

Related Party Transactions

In Q1'10 the Company leased premises from a company controlled by a director of the Company for a total consideration of \$41K which represents an increase of \$21K over the \$20K paid during Q1'09. This increase is due to an expansion of the shop facilities which was required in the normal course of business and the subsequent lease arrangements entered into at fair market value. The Company is indebted to a director of the Company for an amount of \$76K (Q1'09 - \$121K). An interest expense of \$890 (Q1'09 - \$1.2K) has been paid to that director during the quarter.

At Q1'10 the Company paid or accrued management and consulting fees to a company controlled by a director in the amount of \$41K, compared to \$36K in the previous quarter. The Company pays consulting fees of \$12K 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 2009 financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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	775,000	0

Subsequent Events

The company is currently engaged in refinancing its existing debt on more favorable terms which should resolve the working capital and covenant compliance issues referenced in YE'09 MD&A.

Outlook

Management continues to believe that the long term outlook for its products and services remains positive. However, in the short term the demand for the Company's products and services remains linked to the economic conditions of the energy industry and the general level of exploration, development and production of petroleum resources in Western Canadian Sedimentary Basin ("WCSB"). Drilling and exploration activity in the WCSB has been adversely affected by low natural gas prices and higher than normal natural gas inventories.

In addition, further consequences of the global recession have contributed to a contraction of the debt and equity markets upon which the oil and gas producers rely on to finance their operations. Producers have been forced to shore up their balance sheets by reigning in their spending to match realistic cash flows. The current outlook for natural gas suggests there will be depressed levels of rig utilization through till the end of 2009 and 2010 is expected to see a modest recovery. On July 7th, 2009, the Canadian Association of Oilwell Drilling Contractors (“CAODC”) decreased its forecast for 2009 well completions to 8,787 which represents a reduction of 48% from the 2008 levels. Dalmac does operate in an environment where demand for certain of its products and services is dependent on capital expenditures by exploration companies.

Increases in capital expenditures by energy producers are expected to occur when there is a likelihood of sustained higher natural gas commodity prices. The increased sustainability of commodity prices should have a matching effect on drilling utilization levels which will in turn benefit the whole industry.

Presently, about 80% of Dalmac’s revenues are derived from existing production services, which excludes drilling and well workovers. Any increased drilling, well workovers and additional production deriving there from will serve to further benefit the Company’s revenue base. Dalmac continues to strive toward securing additional sources of production revenue while keeping a close eye on maintaining an optimal balance of commitment between production services and drilling activities. The Company is dedicated to maintaining and forging strong and healthy working relationships with its customers and vendors. Dalmac’s objective is to provide its customers with a broader and more practical range of products and services in order to present a better solution for their needs.

The long term fundamentals still point to an increasing demand for oil and gas. Given the increasing decline in production rates in the Western Canadian Sedimentary Basin (“WCSB”), more drilling will be required to maintain current production levels.

Risk Management

Financial Instruments and Financial Risk Management: On May 1, 2007, the Company adopted CICA Handbook Sections 1530 “Comprehensive Income”, Section 3251 “Equity”, Section 3855 “Financial Instruments – Recognition and Measurement”, Section 3861 “Financial Instruments – Disclosure and Presentation” and Section 3865 “Hedges”. These new standards have been adopted on a prospective basis with no restatement of prior periods.

As a result of adopting section 3855, the Company has designated its financial instruments as follows: cash and cash equivalents as held for trading (“HFT”), which is measured at fair value; accounts receivable are classified as loans and receivables which are measured at amortized cost; bank indebtedness, long term debt, callable debt, accounts payable and accrued liabilities, and capital lease obligations are classified as other financial liabilities which are measured at amortized cost. Transaction costs associated with the Company’s debt facilities are no longer presented as a separate asset on the balance sheet but are offset against the debt. Transaction costs are no longer amortized on a straight-line basis over the life of the debt but are amortized using the effective interest method.

The Company has reviewed its contracts and concluded there are no embedded derivatives at this time.

Also on May 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Sections 3862 “Financial Instruments - Disclosures”, Section 3863 “Financial Instruments -Presentation” and Section 1535 “Capital Disclosures”. Section 3862 “Financial

Instruments - Disclosures” and Section 3863 “Financial Instruments - Presentation” replace Section 3861 “Financial Instruments – Disclosures and Presentation”, revising disclosures related to financial instruments, including hedging instruments, and carrying forward unchanged presentation requirements. Section 1535 “Capital Disclosures” requires the Corporation to provide disclosures about the Corporation’s capital and how it is managed. The adoption of these new accounting standards did not impact the amounts reported in the Corporation’s financial statements; however, it did result in expanded note disclosure in the financial statements. (For more detail see Note 2 of YE’09 financial statements.)

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 focusing on strong balance sheet fundamentals 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

In February 2008, the Accounting Standards Board (“AcSB”) issued Section 3064 “Goodwill and Intangible Assets”, which replaces Section 3062 “Goodwill and Other Intangible Assets” and Section 3450 “Research and Development Costs”. This section is effective for the Company for interim and annual consolidated financial statements beginning on May 1, 2009. This Section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets, including internally generated intangible assets, are aligned with IFRS IAS 38 “Intangible Assets” pursuant to International Financial Reporting Standards (“IFRS”). The company is currently evaluating the impact of this new standard.

In February 2008, the AcSB confirmed the Canadian generally accepted accounting principles (“GAAP”) for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011 with early adoption allowed starting in calendar year 2009. The conversion to IFRS will be required for the Company for interim and annual consolidated financial statements beginning on May 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP but there are significant differences on recognition, measurement and disclosures. The Company is currently evaluating the impact of the adoption of IFRS with regards to the significant areas that IFRS will have an impact on its consolidated financial statements.

For further information, please contact:

John Babic, President & CEO

Telephone: 780-988-8510

Facsimile: 780-988-8512

E-mail: info@dalmacenergy.com