



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Third Quarter Interim Period
For the Three and Nine Months Ended January 31, 2008
Prepared March 27, 2008

This Management Discussion and Analysis (MD&A) focuses on key statistics from the consolidated financial statements for Dalmac Energy Inc. for the three and nine month periods ("Q3'08" and "YTD'08") ended January 31, 2008, of fiscal 2008, 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 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.

Forward-looking information

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 is a growth orientated company which provides industrial, oilfield maintenance and production services to the energy and resources sector. With operations dating back over 50 years we currently employ about 100 employees and have a fleet of over 135 service units. Our fleet consists of "hot oiler", "acid flush", "chemical", "hydro evacuation", "vacuum", "pressure" and "tanker" trucks. In addition, we also provide other services such as sales and distribution of "methanol", "glycol", and "KCL" products which are distributed from the Corporation's tank farms in Fox Creek, Hinton, Warburg and Pigeon Lake.

About 65% of Dalmac's revenue in Q3'08 was generated from production services. Production operations are characterized by year round activity as opposed to drilling which is more seasonal and usually crests in the winter months. During this reporting period, the higher margin drilling activity was sporadic and well below normal seasonal levels. The average drilling rig count in Canada was approximately 339 for 2007 as compared to 504 in 2006 and 508 in 2005. Further compounding this low drilling rig count was the Alberta government's decision to increase royalty rates in the later part of 2007. Dalmac's customer base responded to this development by reducing drilling activity levels in Q3'08. It is expected that drilling activity levels will rebound in later part of 2008 and when they do Dalmac's utilization rates are expected to mirror the same trend.

Q3'08 represents the first full quarter of all our operations which includes the recent acquisitions of KD Trucking (1989) Ltd. which was purchased on October 1st, 2007. This acquisition expanded Dalmac's operations from the western foothills of the Rocky Mountains to the central Alberta area just south of Edmonton.

The aforementioned acquisition along with the recent acquisition of new equipment (announced in Q2'08 MD&A) will provide Dalmac greater flexibility to take greater advantage of the production and well servicing opportunities in west central Alberta.

Results of Operations

The following analysis of the Corporation's results of operations refers to the three and nine month periods ended January 31, 2008 ("Q3'08" and "YTD'08") and January 31, 2007 ("Q3'07" and "YTD'07") along with financial information from the financial statements filed for the year ended April 30, 2007 ("YE'07").

Revenue

Revenue for Q3'08 increased by \$2.4 million or 74% to \$5.6 million from the \$3.2 million reported in Q3'07. The year to date revenue increased \$3.8 million or 50% to \$11.3 million from the \$7.6 million reported in YTD'07. Despite decreased drilling activity, the increase in revenue can be attributed to increased production work being secured by virtue of new equipment purchases together with the acquisitions of North End Oil Industries Ltd. and KD Trucking (1989) Ltd.

Net Income

Net income for Q3'08 decreased by \$199,331 or 50% to \$202,311 from the \$401,642 reported in Q3'07. Two key factors had disproportionately impacted Q3'08 compared to Q3'07. First on May 1st, 2007, Dalmac switched pay periods from twice per month to bi weekly. This resulted in an increased accrual of payroll costs during Q3'08, in the amount of \$102,153, which was not previously captured.

The other key factor adversely impacting Q3'08 was the future taxes calculation. In Q3'08 future taxes increased by \$82,730 or 143% to \$140,495 from the \$57,765 reported in Q3'07. The future taxes at YTD'08 increased only by \$72,398 or 59% to \$194,356 from the \$121,958 reported in Q3'07. Due to the completion of the KD Trucking (1989) Ltd. transaction on October 1st, 2007, most of the future tax assessment arose in Q3'08. Recording of future taxes is dependent on the timing of additions to property and equipment.

The YTD'08 net income increased by \$214,624 or 563% to \$252,728 from the \$38,105 as reported for YTD'07. This is due primarily to the fact that in Q2'08 the Corporation had a recovery of expenses of \$243,593 derived from a review of GST input credits not claimed in previous periods. There was no such recovery made in Q3'08.

At Q3'08 Dalmac experienced a decrease in income from operations by \$18,677 or 5.0% to \$331,128 from \$349,805 as reported in Q3'07. This is consistent with increased expenses associated with the acquisitions mention above. Increased activity from production operations helped increase income from operations at YTD'08 by \$304,917 or 168% to \$123,195 compared to a loss of \$181,722 reported for YTD'07.

EBITDA (earnings before interest, taxes depreciation and amortization) for Q3'08 increased by \$197,471 or 27.78% to \$0.9 million from the \$0.7 million reported at Q3'07. The EBITDA for YTD'08 increased \$1,056,201 or 130% to \$1.8 million from the \$0.8 million reported at YTD'07. The increase in EBITDA is directly associated with increased production activity generated by new equipment purchases and the acquisitions referenced earlier in this MD&A. EBITDA is a financial measure that does not have any standardized meaning prescribed by Canadian GAAP and may not be comparable to 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.

Also in Q3'08, the Corporation recorded a \$42,042 stock based compensation expense associated with stock options which were issued in Q1'08. The YTD'08 stock based compensation expense was \$122,180. There was no stock base compensation reported in the previous year. The 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.

Selected financial Quarter End Information

(000's Cdn Dollars, except per share)	Q3'08	Q3'07
Revenues	5,552	3,186
Gross Margin	1,648	1,102
Gross Margin %	30%	35%
EBITDA* (loss)	908	711
EBIDTA*per share - basic	0.07	0.06
EBIDA* per share - diluted	0.06	0.05
Net income (loss)	202	402
Net income (loss) per share – basic	0.02	0.03
Net income (loss) per share – diluted	0.01	0.03
Total Assets	24,113	18,309
Total long-term financial liabilities**	6,542	4,130
Shareholder Equity	10,148	9,392
Weighted average common shares –basic	12,647,125	12,381,096
Weighted average common shares – diluted	16,274,485	13,288,285

* EBITDA (earnings before interest, taxes, depreciation and amortization) is a financial measure that does not have any standardized meaning prescribed by Canadian GAAP and may not be comparable to 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.

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

Gross Margin

The gross margin in Q3'08 increased by \$0.5 million or 50% to \$1.6 million from the \$1.1 million reported at Q3'07. In percent terms gross margin decreased by 5% (equivalent to \$0.3 million) to 30% from the 35% reported for Q3'07. The Q3'08 gross margin decrease resulted from reduced seasonal drilling activity as compared to the previous year. The YTD'08 gross margin increased by \$1.4 million or 65% to \$3.5 million from the \$2.1 million reported for YTD'07. The YTD'08 gross margin as percentage increased by 3% to is 31% from the 28% as reported at YTD'07. This development is attributed to Dalmac's efforts in securing more steady year round production operations while endeavoring to maintain a healthy gross margin.

General and Administrative (“G&A”) Expenses

General and administrative (“G&A”) expenses, for Q3'08, increased by \$108,304 or 57% to \$299,435 from the \$191,131 reported in Q3'07. Wages & benefits increased \$160,815 or 55% to \$451,475 from the \$290,660 reported at same period last year. The YTD'08 G&A expenses increased \$166,301 or 26% to \$796,409 from the \$630,108 reported at Q3'07 while wages & benefits at YTD'08 increased by \$299,526 or 35% to \$1.1 million from the \$865,909 reported at YTD'07. These increases are commensurate with the additional personnel and facilities obtained as a result of the acquisitions previously described in this MD&A.

Amortization of Property and Equipment

Amortization, at Q3'08, increased by \$151,416 or 70% to \$366,805 from the \$215,389 for Q3'07. The amortization for YTD'08 increased \$320,909 or 52% to \$0.9 million from the \$0.6 million

reported for the same period last year. This is consistent with our acquisitions and the purchase of additional operating equipment. Amortization is also dependent on the timing of additions to property and equipment. There were no disposals of equipment during Q3'08 or during YTD'08.

As of May 1, 2007 the Corporation implemented a change of estimate regarding the salvage value of service vehicles and equipment. This change increased the salvage values and will reflect a more realistic net book value at the end of the equipment's amortized life. No changes have been made to the equipment's estimated useful life.

Interest Expense

During Q3'08, interest on long term debt, increased \$71,010 or 129% to \$125,900 from the \$54,890 reported for Q3'07. Interest on callable debt during the same period increased by \$49,310 or 1313% to \$53,064 from the \$3,754 reported for Q3'07. For YTD'08, the interest on long term debt increased \$219,910 or 121% to \$402,401 from the \$182,491 reported for YTD'07. Most of this increase is related to the acquisitions and new equipment purchases described in earlier in this MD&A.

Interest on callable debt for YTD'08, increased by \$123,524 or 780% to \$139,353 from the \$15,829 reported for YTD'07. Callable debt consists of bank financing classified as demand loans and is thereby categorized as such.

Income Taxes

In Q3'08 future taxes increased by \$82,730 or 143% to \$140,495 from the \$57,765 reported for Q3'07. For YTD'08 the Corporation's future tax payable increased by \$72,398 or 59% to \$194,356 from the \$121,958 reported for YTD'07. Future tax is a result of the comparative difference in depreciation schedules for tax purposes as compared to the net book value. Under income tax law, fixed assets can be depreciated at a higher rate than for financial statement purposes, thereby incurring a future tax expense. Future taxes are impacted by the timing of additions to property and equipment as was the case with acquisitions mentioned earlier in this MD&A. The Corporation had no current taxes owing at YTD'08 on a consolidated basis.

Summary of Quarterly Results

	Q3'08	Q2'08	Q1'08	Q4' 07
	Quarter Ended	Quarter Ended	Quarter Ended	Quarter Ended
(000's Cdn Dollars, except per share)	31-Jan-08	31-Oct-07	31-Jul-07	30-Apr-07
Revenue	5,552	3,234	2,537	5,025
Net income (loss)	202	248	(198)	(151)
Net income (loss) per share - basic	0.02	0.02	(0.02)	(0.01)
Net income (loss) per share - diluted	0.01	0.02	(0.02)	(0.01)

	Q3' 07	Q2' 07	Q1' 07	Q4' 06
	Quarter Ended	Quarter Ended	Quarter Ended	Quarter Ended
(000's Cdn Dollars, except per share)	31-Jan-07	31-Oct-06	31-Jul-06	30-Apr-06
Revenue	3,186	2,226	2,195	4,018
Net income (loss)	402	(255)	(86)	535
Net income (loss) per share - basic	0.03	(0.02)	(0.01)	0.08
Net income (loss) per share - diluted	0.03	(0.02)	(0.01)	0.07

Liquidity and Capital Resources

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

Dalmac has a current banking facility of \$6.0 million. This extended facility consists of a \$3 million line of credit and a \$3.0 million demand Revolving Term Loan. The interest rate on the line of credit is a floating rate of 1% above the bank's current prime lending rate (presently at 5.25%) and the rate on the term loan is a floating rate equal to 1.25% above the bank's prime lending rate.

Bank indebtedness, at YTD'08, increased by \$1.1 million, or 90%, to \$2.3 million from the \$1.2 million reported at YE'07. This is consistent with the increased activity as a result of the acquisitions made. The Corporation's cash and cash equivalents at YTD'08 decreased by almost \$3.9 million or 71% to \$1.6 million from the \$5.5 million reported at YE'07. This is directly related to the acquisitions and equipment purchased referenced earlier in this MD&A.

At YTD'08, long term debt increased by \$693,537, or 18%, to \$4.5 million from the \$3.8 million reported at YE'07. The current portion of long term debt increased by \$267,930, or 14% to \$2.1 million from the \$1.9 million reported at YE'07. Callable debt increased by \$1.8 million to \$1.9 million from the \$94,656 reported at YE'07. This is mainly due to the financing of the new equipment and acquisitions referenced earlier in this MD&A.

Working Capital

The working capital of the Corporation decreased at YTD'08 by \$4.1 million to \$0.2 million from the \$4.3 million reported as of YE'07. This decrease is also due to the acquisitions mentioned previously in this MD&A. The callable debt is bank financed debt (for property mortgage and equipment purchases) and been excluded from the calculation of working capital as it 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.

Shareholders' Equity

Shareholders' equity at YTD'08 increased by \$0.8 million, or 8% to \$10.1 million from the \$9.4 million reported at YE'07. This increase is mainly the result of Corporations earnings in Q3'08. Retained earnings increased by \$252,726 to \$1.1 million from \$879,655 reported at YE'07.

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
12,976,124	1,687,629	2,400,000

On May 1, 2007 the Corporation issued 92,592 common shares as part of the North End Oil Industries Ltd. acquisition and a further 592,199 common shares were issued on October 1, 2007 for the acquisition of KD Trucking (1989) Ltd.

Related Party Transactions

As of YTD'08 the Corporation leased premises from a company controlled by a director of the Corporation for a total consideration of \$61,200 which remains unchanged from YTD'07. Also

at YTD'08, Dalmac was indebted to a director of the Corporation for the amount of \$140,000. There was no interest due on this loan for this reporting period.

The aforementioned transactions are in the normal course of operations and have been valued in the Q3'08 financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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.

Recent Events

Dalmac announced on November 27, 2006 that it would conduct a normal course issuer bid to purchase up to 621,391 of its common shares, which represents approximately 5% of its 12,427,833 common shares outstanding as of the announcement date. Purchases under this normal course issuer bid were carried out through open market transactions through the facilities of the TSX Venture Exchange over a period of 12 months ending November 30, 2007. Any shares purchased by the Corporation under this issuer bid were cancelled. As of November 30, 2007, the Corporation had repurchased and cancelled 136,500 of its common shares.

On October 1, 2007 the Corporation completed the purchase of the business and assets of KD Trucking for \$3.6 million, payable by \$2.7 million in cash, \$500,000 in vendor take back financing and \$300,000 in shares. The number of common shares issued for this transaction was 592,199. The purchase of the business and assets of KD Trucking (1989) Ltd. necessitated the formation of a new subsidiary company called 1353245 Alberta Ltd, which is 100% controlled by the Corporation. The Corporation has no plans for carrying on any further activity in 1353245 Alberta Ltd. and expects that it will be dissolved in due course.

Subsequent Events

As of February 28, 2008, 480,000 brokers options, priced at \$1.25 per share and 2,400,000 warrants, priced at \$1.50 per share, expired. These options and warrants were issued on February 28, 2006 in conjunction with a bought deal private placement which yielded total proceeds of \$6.0 million through the sale of 4,800,000 units at \$1.25 per unit. Each unit consisted of one common share and one half of one common share purchase warrant of the Corporation.

Business Risks

Dalmac's business varies directly with oilfield production, exploration and drilling activity in northwestern Alberta and is subject to the risks and variables inherent in the oilfield services industry. The demand for Dalmac's products and services is directly affected by factors such as oil and gas commodity prices, weather, changes in legislation, exchange rates, the general state of domestic and world economies, concerns regarding fuel surpluses or shortages, substitution through imports or alternative energy sources, changes to taxation or regulatory regimes and the broad sweep of international political risks such as war, civil unrest, nationalization and expropriation or confiscation, which are all beyond the control of the Corporation and cannot be predicted. The oil market is influenced by global supply and demand considerations and by the supply management practices of OPEC. The natural gas market is primarily influenced by North American supply and demand and by the price of competing fuels.

In reaction to lower exploration and drilling activity, Dalmac has placed more of its focus on production operations. Production operations provide more regular year round work and thereby are more insulated from the fluctuations of commodity pricing. Production operations are more conducive to providing steady baseline revenue as opposed to the more volatile drilling sector.

An undesired consequence of reduced exploration and drilling activity could be that competitors with idle capacity may redeploy their equipment into Dalmac's markets. This increased competition can place pricing pressure on the Company's operating margins. Dalmac endeavors to constantly monitor activity levels in the energy sector with the objective of improving the flexibility of our operations to respond to any anticipated activity changes in industry production, exploration and drilling levels. Dalmac has experienced management at all levels of operations and believes the Corporation has a cost structure that has sufficient variability to be able to adapt to the volatility of the industry. The risks associated with external competition are minimized by our commitment to employing highly qualified personnel and by focusing on core activities in areas where the Corporation has demonstrated technical and operational advantages.

Dalmac is also attentive towards maintaining high standards of commitment to environmental and safety and regulations which is an area of increasing concern and preoccupation to our customers. In addition the Dalmac takes further advantage of mitigating business risks by establishing strategic alliances with our customers by way of endeavoring to improve our technologies and methodologies to provide a better service.

Outlook

The clouds of uncertainty which hovered over the oil and gas industry over the past while seem to be abating. Current industry preparations and logistics seem to indicate a return to a robust drilling program for the fall and winter of 2008. The strengthening of commodity prices is further helping to bolster this confidence. To some degree, this is reflected in the drilling rig utilization count for March 21, 2008 which stands at 510, up 82 rigs over the past week.

Drilling activity levels in western Canada have historically been very dependent on price movements of natural gas. Over the past while there has been a displacement of natural gas from the Western Canadian Sedimentary Basin (WCSB) by North American off shore drilling. This has contributed to higher inventory storage levels and hence softening of natural gas prices. As a result of softening commodity prices the utilization levels of well servicing equipment has decreased. These weakened activity levels, in the last quarter of 2007, were further impacted by the Alberta government's resource royalty review and the strengthening of the Canadian dollar. The newly strengthened Canadian dollar removed any cost advantage previously enjoyed against the US dollar.

When the above conditions are all blended together, it serves to create an atmosphere of additional uncertainty for Canadian producers. In view of the current strengthening of commodity prices, the forgoing uncertainty seems to be waning somewhat and it is anticipated that drilling utilization levels are on a rebound.

It's not unreasonable to anticipate that the decreased drilling activity in western Canada should at some point, help contribute to decreasing North American gas storage levels, which in turn is expected to stimulate the demand for more drilling services in the WCSB. Higher commodity prices should also prompt producers to focus more efforts on stimulating and working over existing wells in order to maximize production and cash flows. Collectively, the aforementioned are expected to contribute the right mix of conditions to stimulate increased activity levels in the WCSB.

Dalmac's sources of revenue are generated by providing specialized services required for the exploration, development and production of petroleum resources. These resources are escalating

in value and are plentiful in the areas in which the Corporation operates. The demand for Dalmac's services is linked to the economic conditions of the energy industry and general levels of drilling and production activities in Western Canada.

Dalmac plans to expand its baseline revenue stream by bolstering its exposure to production operations which include various aspects of bringing energy products to market, such as production hauls, plant turnarounds, and maintenance. In doing so Dalmac intends on striking an optimal balance of commitment to production services and drilling activities. Dalmac is dedicated to maintaining good relationships with our customers by providing them with a range of services which covers the broad 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.

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