

Consolidated Financial Statements

Dalmac Energy Inc.

April 30, 2011

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Management's Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements and the information in Management's Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include some amounts based on management's best estimates and judgments. When alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances. Management has prepared the financial information presented elsewhere in Management's Discussion and Analysis and ensured it is consistent with the financial statements.

Dalmac Energy Inc. maintains a system of internal controls to provide reasonable assurance that transactions are properly authorized, financial records are accurate and reliable and the Company's assets are properly accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board of Directors carries out its responsibility for the consolidated financial statements through its Audit Committee. The Committee meets periodically with management and the external auditors to review the financial statements and the annual report and to discuss audit, financial and internal control matters. The Company's external auditors have full and unrestricted access to the Audit Committee.

The consolidated financial statements have been subject to an audit by the Company's external auditors, Grant Thornton LLP, in accordance with generally accepted auditing standards on behalf of the shareholders.

John I. Babic
Chief Executive Officer

John Beasley
Chief Financial Officer

July 25, 2011



Independent Auditors' Report

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To the Shareholders of
Dalmac Energy Inc.

We have audited the accompanying consolidated financial statements of Dalmac Energy Inc., which comprise the consolidated balance sheets as at April 30, 2011 and 2010, the consolidated statements of income (loss) and comprehensive income (loss), deficit and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Dalmac Energy Inc. as at April 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company incurred a working capital deficiency of \$2,274,687 and a deficit of \$873,057 as of April 30, 2011. This condition, along with other matters as set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Edmonton, Canada

July 25, 2011



Chartered Accountants

Dalmac Energy Inc.

Consolidated Balance Sheets

April 30 2011 2010

Assets

Current

Cash	\$ 52,485	\$ -
Accounts receivable	6,627,121	3,361,114
Current portion of note receivable (Note 3)	18,389	-
Inventories	520,319	396,864
Prepays	<u>142,740</u>	<u>104,659</u>
	7,361,054	3,862,637

Property, plant and equipment (Note 4)	15,427,700	16,848,679
Note receivable (Note 3)	168,859	-
Intangible asset (Note 5)	<u>10,000</u>	<u>20,000</u>
	<u>\$ 22,967,613</u>	<u>\$ 20,731,316</u>

Liabilities

Current

Bank indebtedness (Note 6)	\$ 3,381,572	\$ 1,760,338
Accounts payable and accrued liabilities	3,539,232	3,031,756
Callable debt (Note 7)	-	3,226,730
Current portion of capital lease obligations (Note 8)	41,466	171,207
Current portion of long term debt (Note 9)	2,520,593	1,732,371
Current portion of preferred shares (Note 12)	<u>152,878</u>	<u>152,878</u>
	9,635,741	10,075,280

Capital lease obligations (Note 8)	136,625	-
Long term debt (Note 9)	3,901,557	3,411,863
Future income taxes (Note 10)	265,378	-
Preferred shares (Note 12)	<u>267,537</u>	<u>420,415</u>
	<u>14,206,838</u>	<u>13,907,558</u>

Shareholders' Equity

Share capital (Note 12)	8,831,329	8,766,698
Warrants (Note 12)	148,765	160,800
Contributed surplus (Note 13)	653,738	642,267
Deficit	<u>(873,057)</u>	<u>(2,746,007)</u>
	<u>8,760,775</u>	<u>6,823,758</u>
	<u>\$ 22,967,613</u>	<u>\$ 20,731,316</u>

Going concern (Note 1)

Commitments (Note 16)

On behalf of the Board

_____ Director

_____ Director

See accompanying notes to the consolidated financial statements

Dalmac Energy Inc.
Consolidated Statements of Income (Loss),
Comprehensive Income (Loss) and Deficit

Year Ended April 30

2011

2010

Revenue		
Service	\$ 24,304,666	\$ 15,665,414
Product	<u>1,929,392</u>	<u>908,068</u>
	<u>26,234,058</u>	<u>16,573,482</u>
Direct costs		
Service	15,956,817	11,600,232
Product	<u>1,730,123</u>	<u>799,147</u>
	<u>17,686,940</u>	<u>12,399,379</u>
Gross margin	<u>8,547,118</u>	<u>4,174,103</u>
Expenses		
Amortization of property, plant and equipment	1,967,000	1,985,140
Wages and benefits	1,883,233	2,144,982
General and administrative	1,449,434	1,349,681
Interest on callable debt and other	711,623	302,041
Interest on long term debt	300,837	304,462
Preferred shares dividend expense (Note 12)	47,901	86,269
Loss (gain) on disposal of property, plant and equipment	24,855	(42,818)
Interest on obligations under capital lease	13,907	14,587
Amortization of intangible asset	<u>10,000</u>	<u>10,000</u>
	<u>6,408,790</u>	<u>6,154,344</u>
Income (loss) before income taxes	2,138,328	(1,980,241)
Income tax expense (recovery) (Note 10)	<u>265,378</u>	<u>(224,573)</u>
Net income (loss) and comprehensive income (loss)	<u>\$ 1,872,950</u>	<u>\$ (1,755,668)</u>
Deficit, beginning of year	\$ (2,746,007)	\$ (990,339)
Net income (loss)	<u>1,872,950</u>	<u>(1,755,668)</u>
Deficit, end of year	<u>\$ (873,057)</u>	<u>\$ (2,746,007)</u>
Earnings (loss) per share basic (Note 14)	\$ 0.10	\$ (0.12)
Earnings (loss) per share diluted (Note 14)	\$ 0.09	\$ (0.12)

See accompanying notes to the consolidated financial statements

Dalmac Energy Inc.

Consolidated Statements of Cash Flows

Year Ended April 30

2011

2010

Increase (decrease) in cash and cash equivalents

Operating

Net income (loss)	\$ 1,872,950	\$ (1,755,668)
Items not affecting cash:		
Amortization of property, plant and equipment	1,967,000	1,985,140
Loss (gain) on disposal of property, plant and equipment	24,855	(42,818)
Amortization of intangible asset	10,000	10,000
Future income tax expense (recovery)	265,378	(224,573)
Stock-based compensation expense	11,471	16,269
	<u>4,151,654</u>	<u>(11,650)</u>
Change in non-cash operating working capital:		
Accounts receivable	(3,266,007)	868,777
Inventories	(123,454)	(68,055)
Prepays	(38,081)	(3,755)
Note receivable	(187,248)	-
Accounts payable and accrued liabilities	507,476	465,800
	<u>1,044,340</u>	<u>1,251,117</u>

Financing

Net proceeds from the issuance of shares	52,596	324,000
Net proceeds from the issuance of warrants	-	159,162
Proceeds from long term debt	2,709,036	2,000,000
Proceeds from callable debt	3,260,000	-
Repayment of long term debt	(1,431,120)	(1,429,722)
Repayment of callable debt	(6,486,730)	(932,529)
Repayment of obligations under capital lease	(192,289)	(70,466)
Advances (repayments) on bank indebtedness	1,621,234	(1,041,353)
Redemption of preferred shares	(152,878)	(326,707)
	<u>(620,151)</u>	<u>(1,317,615)</u>

Investing

Purchase of property, plant and equipment	(1,093,182)	(176,028)
Proceeds on disposal of property, plant and equipment	721,478	42,820
	<u>(371,704)</u>	<u>(133,208)</u>

Net increase (decrease) in cash and cash equivalents 52,485 (199,706)

Cash and cash equivalents

Beginning of year	<u>-</u>	<u>199,706</u>
End of year	<u>\$ 52,485</u>	<u>\$ -</u>

Supplemental cash flow information (Note 15)

See accompanying notes to the consolidated financial statements

Dalmac Energy Inc.

Notes to the Consolidated Financial Statements

April 30, 2011

1. Description of operations and going concern

Dalmac Energy Inc. (the "Company") was incorporated under the Canada Business Corporations Act and is listed on the TSX Venture Exchange trading under the symbol "DAL". The Company is a provider of hot oiler, hydro vac, vacuum, pressure and tanker truck services to the oil and gas industry in Alberta and north-eastern British Columbia.

The consolidated financial statements have been prepared on a going concern basis, which contemplates that the Company will be able to continue operations for the foreseeable future, and to realize on its assets and settle its liabilities in the normal course of operations. At April 30, 2011, the Company has a working capital deficiency of \$2,274,687 (2010 - \$6,212,643) and a deficit of \$873,057 (2010 - \$2,746,007). The Company's ability to continue as a going concern is dependent on its ability to generate positive cash flow from operations going forward.

The above factors may adversely impact the Company's ability to continue as a going concern. Notwithstanding the foregoing, management is of the opinion that the following will contribute to remedying the foregoing concern.

During the current year,

- The Company has a long-term debt to equity ratio of 0.46:1 as of April 30, 2011 (Note 11) with a target of 0.30:1.
- Refinanced callable debt from 24% to lender prime plus 3.5% during 2011 and
- The Company has amended its maximum operating line of credit from \$4,000,000 to \$5,000,000 during 2011.

Going forward, the Company will work towards rectifying the working capital deficiency and deficit through cash flow from operations and net income. An improvement in the Company's gross margin coupled with the Company's focus on cost control and operational efficiencies will assist in reducing the working capital deficiency and deficit.

The financial statements do not reflect adjustments necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, reported revenue and expenses, and the balance sheet classifications used. These adjustments could be material.

2. Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Dalmac Oilfield Services Inc. and 1421771 Alberta Ltd. 1353245 Alberta Ltd. was dissolved on April 4, 2010. All intercompany balances and transactions are eliminated on consolidation.

Dalmac Energy Inc.

Notes to the Consolidated Financial Statements

April 30, 2011

2. Summary of significant accounting policies (cont'd)

Financial instruments

All financial instruments are initially measured at fair value. Subsequent measurement will depend on an instrument's initial classification. Held-for-trading instruments are measured at fair value, and changes in fair value are recognized through net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired. Held-to-maturity investments, loans and receivables, and other financial liabilities are subsequently measured at amortized cost using the effective interest method. Transaction costs associated with the Company's debt facilities are offset against the related debt and amortized into income using the effective interest method.

The Company classified the relevant financial assets and liabilities as follows:

- Held for trading
 - Cash and cash equivalents
- Loans and receivables
 - Accounts receivable
 - Note receivable
- Other financial liabilities
 - Bank indebtedness
 - Accounts payable and accrued liabilities
 - Callable debt
 - Long-term debt
 - Preferred shares

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The significant areas requiring the use of management estimates relate to the allowance for doubtful accounts, amortization of property, plant and equipment and intangible assets, the valuation of long-lived assets, the valuation of future income tax assets and the assumptions used in determining stock-based compensation. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash and balances with banks net of outstanding cheques. Bank indebtedness and long term borrowings are considered to be financing activities.

Dalmac Energy Inc.

Notes to the Consolidated Financial Statements

April 30, 2011

2. Summary of significant accounting policies (cont'd)

Inventories

Chemical inventory is valued at the lower of cost and net realizable value with cost being determined on average cost basis. Parts inventory is valued at the lower of cost and net realizable value with cost being determined on a first-in first-out basis. Cost includes the direct purchase price of the goods and transportation costs from vendors. Cost of inventory sold is included on the income statement as 'direct costs – product'.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization. The Company provides for amortization using methods at rates designed to amortize the cost of the property, plant and equipment over their estimated useful lives net of salvage values. Salvage value for service vehicles and service equipment is calculated as 20% to 30% of original cost. The annual amortization rates and methods are as follows:

Buildings	4% declining balance method
Service vehicles	8 years straight-line method
Service equipment	12 years straight-line method
Motor vehicles	8 years straight-line method
Plant equipment	10 years straight-line method
Shop equipment	5 years straight-line method
Leasehold improvements	Term of lease straight-line method
Computer equipment	3 years straight-line method
Furniture and fixtures	4 years straight-line method
Rental equipment	12 years straight-line method

Included above in service vehicles, shop equipment and computer equipment are assets under capital lease.

Intangible asset

The finite-life intangible asset represents the cost assigned to a non-competition agreement. Intangible assets acquired individually or as part of a group of other assets are initially recognized and measured at cost. Intangible assets with finite useful lives are amortized over their estimated useful lives. The Company has no intangibles with indefinite useful lives.

The amortization method and estimated useful life of the intangible asset, which is reviewed annually, is as follows:

Non-competition agreement	5 years straight-line method
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Dalmac Energy Inc.

Notes to the Consolidated Financial Statements

April 30, 2011

2. Summary of significant accounting policies (cont'd)

Impairment of long-lived assets

Long-lived assets are comprised of property, plant and equipment and the finite-life intangible asset.

Long-lived assets are tested for impairment when certain events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The recoverability test is performed using undiscounted future net cash flows that are directly associated with the asset's use and eventual disposition. The amount of impairment, if any, is measured as the difference between the carrying value and the fair value of the impaired assets.

Lease obligations

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of the lease. All other leases are accounted for as operating leases wherein payments are expensed as incurred.

Income taxes

Income taxes have been provided using the liability method of tax allocation. Under this method future income tax assets and liabilities are determined based on differences between the accounting bases and tax bases of assets and liabilities and losses carried forward, and measured using the substantively enacted tax rates that will be in effect when the differences are expected to reverse. Future tax assets are recognized to the extent that the realization of the asset is considered more likely than not.

Stock-based compensation

Stock-based compensation is measured and recognized using the fair value method. Under this method, the estimated fair value of stock options granted are measured at the date of grant using the Black-Scholes Option Pricing Model and are recognized over the applicable vesting period as a charge to stock-based compensation expense or share issuance costs and a credit to contributed surplus. Upon exercise, the associated amounts will be reclassified from contributed surplus to share capital together with the consideration received.

Warrants

Warrants are measured and recognized using the fair value method whereby the fair value of the warrants is determined at the warrant issue date using a market-based option valuation model. When warrants are issued in combination with equity securities, these warrants are valued and accounted for based on the relative fair value of the warrants in relation to the total value assigned to the debt or equity securities and warrants combined.

Dalmac Energy Inc.

Notes to the Consolidated Financial Statements

April 30, 2011

2. Summary of significant accounting policies (cont'd)

Revenue recognition

The Company's services are provided based upon orders and contracts with customers that include fixed or determinable prices and are based upon daily, hourly or contracted rates. Contract terms do not include the provision for post-service obligations. Revenue is recognized when services are rendered and when collectability is reasonably assured.

Product sales revenue is recognized when the products are shipped, at which time title passes to the customer. No right of return exists for products.

Earnings per share

Basic earnings per share is calculated by dividing the net income applicable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted net earnings per share reflects the assumed conversion of all dilutive securities using the treasury stock method. Diluted net earnings per share figures are equal to those of basic net earnings per share if the effects of stock options and warrants have been excluded since they are anti-dilutive. For warrants and stock options, the treasury method is used whereby the number of additional common shares is calculated by assuming that outstanding warrants and stock options were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the fiscal year.

3. Note receivable

On August 17, 2010, the Company completed a financing arrangement with a new primary lender consisting of a \$4,000,000 revolving operating line of credit margined on acceptable accounts receivable (Note 6). To secure the above financing arrangement, a director of the Company was required to provide a \$400,000 mortgage security over a piece of real property that is currently being leased to the Company. The Company entered into an agreement to sell this property to the director and lease back the property by way of assumption of a mortgage and a promissory note. At April 30, 2011, \$187,248 (2010 - \$nil) is owing to the Company (Note 17(f)). The April 30, 2011 balance represents the discounted amount owing assuming an 8.5% effective interest rate over a 60 month term with \$18,389 to be received in the next fiscal year.

Dalmac Energy Inc.

Notes to the Consolidated Financial Statements

April 30, 2011

4. Property, plant and equipment

	<u>Cost</u>	<u>Accumulated amortization</u>	2011 Net book value
Land	\$ 32,657	\$ -	\$ 32,657
Service vehicles	12,275,938	5,203,200	7,072,738
Service equipment	9,760,060	3,716,654	6,043,406
Buildings	22,404	2,582	19,822
Motor vehicles	283,271	97,848	185,423
Plant equipment	348,707	234,370	114,337
Shop equipment	285,665	180,189	105,476
Leasehold improvements	311,931	250,088	61,843
Computer equipment	154,987	112,158	42,829
Furniture and fixtures	217,846	203,385	14,461
Rental equipment	<u>2,236,223</u>	<u>501,515</u>	<u>1,734,708</u>
	<u>\$25,929,689</u>	<u>\$10,501,989</u>	<u>\$15,427,700</u>

	<u>Cost</u>	<u>Accumulated amortization</u>	2010 Net book value
Land	\$ 198,321	\$ -	\$ 198,321
Service vehicles	11,724,585	4,195,985	7,528,600
Service equipment	9,253,025	3,137,379	6,115,646
Buildings	490,604	47,093	443,511
Motor vehicles	205,072	69,622	135,450
Plant equipment	382,697	222,553	160,144
Shop equipment	246,278	130,631	115,647
Leasehold improvements	269,350	224,489	44,861
Computer equipment	121,343	90,104	31,239
Furniture and fixtures	217,846	188,141	29,705
Rental equipment	<u>2,367,385</u>	<u>321,830</u>	<u>2,045,555</u>
	<u>\$25,476,506</u>	<u>\$ 8,627,827</u>	<u>\$16,848,679</u>

Included in the above categories are the following amounts for assets under capital lease:

- service vehicles with a cost of \$506,901 (2010 - \$335,012) and accumulated amortization of \$155,147 (2010 - \$113,370);
- computer equipment with a cost of \$40,898 (2010 - \$40,898) and accumulated amortization of \$40,898 (2010 - \$38,731); and
- shop equipment with a cost of \$57,648 (2010 - \$nil) and accumulated amortization of \$54,356 (2010 - \$nil).

Dalmac Energy Inc.
Notes to the Consolidated Financial Statements

April 30, 2011

5. Intangible asset

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>2011 Net book value</u>
Non-competition agreement	<u>\$ 50,000</u>	<u>\$ 40,000</u>	<u>\$ 10,000</u>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>2010 Net book value</u>
Non-competition agreement	<u>\$ 50,000</u>	<u>\$ 30,000</u>	<u>\$ 20,000</u>

6. Bank indebtedness

On October 8, 2009, the Company's demand revolving operating overdraft was reduced by its primary lender to a maximum of \$2,000,000 margined to accounts receivable, at an interest rate of lender prime plus 3.5%. At April 30, 2010, \$1,760,338 had been drawn on this facility.

On October 16, 2009, the Company signed an additional revolving loan and security agreement with a secondary lender for \$2,000,000 (Note 9). This facility is a 366 day long term facility with the loan having a term out over 24 to 30 months if not renegotiated with the lender, and has been classified as long term debt.

On August 17, 2010, the Company completed a financing arrangement with a new primary lender consisting of a \$4,000,000 revolving operating line of credit margined on acceptable accounts receivable. The new facility, which is fixed for 2 years (expiring on August 17, 2012) carries an interest rate based on the lender's prime plus 3.75%. Extending the facility for a further term(s) is negotiable. On February 2, 2011, the Company signed an amendment increasing the \$4,000,000 revolving operating line of credit to \$5,000,000. At April 30, 2011, \$3,381,572 (2010 - \$nil) has been drawn on this facility. Security for the revolving operating line of credit consists of a general security agreement providing a first security interest in all assets, with the exception of a subrogated position on certain assets pursuant to the secondary lender revolving loan for \$2,000,000.

Dalmac Energy Inc.

Notes to the Consolidated Financial Statements

April 30, 2011

7. Callable debt

	<u>2011</u>	<u>2010</u>
Demand bank loan, payable \$38,095 per month principal, plus interest at prime plus 3.50% (2010 – 3.50%). Maturity date - July 8, 2010.	\$ -	\$ 1,078,796
Demand bank loan, payable \$25,000 per month principal, plus interest at prime plus 3.50% (2010 – 3.50%). Maturity date - October 5, 2012.	-	800,000
Demand bank loan, payable \$18,133 per month principal, plus interest at prime plus 3.50% (2010 – 3.50%). Maturity date - September 9, 2013.	-	779,733
Demand bank loan, payable \$3,646 per month principal plus interest at prime plus 3.50% (2010 – 3.50%). Maturity date - July 31, 2012.	-	324,479
Demand bank loan, payable \$7,026 per month principal, plus interest at prime plus 3.50% (2010 – 3.50%). Maturity date - October 16, 2012.	-	224,806
Demand bank loan, payable \$451 per month principal, plus interest at prime plus 3.50% (2010 – 3.50%). Maturity date - October 24, 2012.	-	14,417
Demand bank loan, payable \$902 per month principal, plus interest at prime plus 3.50% (2010 – 3.50%). Maturity date - July 25, 2010.	-	4,499
	\$ -	\$ 3,226,730

On August 17, 2010, the Company refinanced its callable debt with an interim mezzanine lender. The facility consisted of a \$3,260,000, non-revolving term loan which bears interest at 24% per annum. For the first 3 months subsequent to August 17, 2010, the repayment was interest only followed by monthly payments consisting of both interest and principal. The facility was to mature on August 17, 2011 with payments based on a 4 year amortization.

In March 2011, this facility was repaid using the non-revolving term facility with the new primary lender (Note 9) and the proceeds from the sale lease-back agreement of \$400,000 (Note 3).

Dalmac Energy Inc.

Notes to the Consolidated Financial Statements

April 30, 2011

8. Capital lease obligations

	<u>2011</u>	<u>2010</u>
Service vehicle lease, with monthly payments of \$3,900 including interest at 14.5%, expiring July 2015. Secured by specific equipment with a net book value of \$161,983.	\$ 155,213	\$ -
Shop equipment leases, with payments from \$176 to \$958 per month at a weighted average interest rate of 20% maturing between November 2011 to December 2015. Secured by equipment with a net book value of \$25,826.	22,878	-
Service vehicle lease, with monthly payments of \$5,603 including interest at 6.65%, expiring January 2012. Secured by specific equipment with a net book value of \$190,005 (2010 - \$221,642). The balance was refinanced under the non-revolving term facility in March 2011 (Note 9).	-	165,438
Computer equipment leases, with payments of \$434 and \$968 per month at average interest rates of 13.74%, maturing in July 2010 and November 2010. Secured by equipment with a net book value of \$nil (2010 - \$2,167).	-	5,769
	<u>178,091</u>	<u>171,207</u>
Less amounts due within one year	<u>(41,466)</u>	<u>(171,207)</u>
	<u>\$ 136,625</u>	<u>\$ -</u>
Future minimum capital lease payments:		
Total minimum lease payments	\$ 213,784	
Less: amount representing interest at various rates	<u>(35,693)</u>	
Present value of minimum lease payments	178,091	
Less: amounts payable within one year	<u>(41,466)</u>	
	<u>\$ 136,625</u>	

Dalmac Energy Inc.

Notes to the Consolidated Financial Statements

April 30, 2011

9. Long term debt

	<u>2011</u>	<u>2010</u>
<p>On March 7th, 2011, the Company completed its refinancing of the mezzanine debt with its new primary lender (Note 7). The facility consisted of a \$2,640,000 non-revolving demand term loan which bears interest at lender's prime plus 3.50% per annum. The repayment is based on a 36 month loan amortization with \$73,333 per month principal plus interest payments, with an interest rate renewal after one year and maturity date of March 25, 2012. The facility is secured by a first charge on specific equipment (Note 9(a)).</p>	\$ 2,566,667	\$ -
<p>Vehicle conditional sales contracts, with interest rates of 6.59% and 5.99% per annum repayable in monthly blended payments that vary over the term of each contract, maturing on March 2016 and October 2015, secured by specific service vehicles with a carrying value of \$32,665 and \$31,855.</p>	65,015	-
<p>Conditional sales contracts, with interest rates of 6.50% or 6.95% per annum, repayable in monthly blended payments that vary over the term of each contract, maturing on dates between January 2012 to May 2013, secured by specific service vehicles and service equipment with a carrying value of \$3,153,676 (2010 - \$3,327,844).</p>	1,476,952	2,724,893
<p>Revolving loan and security agreement, bearing interest at 90 day bankers' acceptance rate plus 5.90% per annum. Secured by first charge on specific equipment with interest only payments in the first year, with an option to term out over 36 months at the end of the first year. On December 10, 2010, the Company amended the facility and opted for a second year of interest only with four equal \$50,000 quarterly payments, after which the loan will term out over 24 to 30 months if not renegotiated with the lender. Interest on this amended facility is the Bankers Acceptance 90 day rate plus 5.90%. Principal repayment can be made at any time in increments of \$100,000. The lender has taken a first security interest in select equipment, with a second security interest in all remaining equipment. As of April 30, 2011, \$2,000,000 (2010 - \$2,000,000) had been drawn on this facility and the Company was in compliance with required debt covenants for this facility (Note 9(b)).</p>	2,000,000	2,000,000
<p>Promissory note, with no set terms of repayment bearing interest at 6.0%, no set maturity date secured by a general security agreement against the assets of the Company, subrogated to existing charges (Note 17(e)).</p>	313,516	295,303

Dalmac Energy Inc.

Notes to the Consolidated Financial Statements

April 30, 2011

9. Long term debt (cont'd)

	<u>2011</u>	<u>2010</u>
Promissory note, payable at \$13,889 per month principal plus interest at the prime interest rate, due October 2010, secured by a general security agreement over all assets of the Company subrogated to existing charges.	-	83,333
Promissory note due to a director of the Company, payable in equal monthly principal and interest payments of \$4,144 over thirty-six months, to bear interest commencing March 2008 at a rate of 4.25% per annum, unsecured. Repaid in February 2011.	-	40,705
	<u>6,422,150</u>	<u>5,144,234</u>
Less amount due within one year	<u>(2,520,593)</u>	<u>(1,732,371)</u>
	<u>\$ 3,901,557</u>	<u>\$ 3,411,863</u>

Approximate principal repayments due within each of the next four years are as follows:

2012	\$ 2,520,593
2013	1,966,034
2014	1,597,000
2015	<u>338,523</u>
	<u>\$ 6,422,150</u>

- a) The facility includes a demand feature which allows the financial institution to demand repayment at any time. However, the financial institution has committed it does not intend to demand repayment prior to May 1, 2012. The facility matures March 25, 2012. The financial institution has committed its intention to renew the facility at same or similar terms with a maturity date subsequent to May 1, 2012. As a result, the Company has classified the facility as long term.
- b) A quarterly payment due March 10, 2011 was not drawn by the lender. Subsequent to year end, the Company and the lender have agreed that the payment will be paid by August 8, 2011 thereby waiving the default under the agreement.

Dalmac Energy Inc.

Notes to the Consolidated Financial Statements

April 30, 2011

10. Income taxes

	<u>2011</u>	<u>2010</u>
Income tax expense (recovery):		
Current	\$ -	\$ -
Future	<u>265,378</u>	<u>(224,573)</u>
	<u>\$ 265,378</u>	<u>\$ (224,573)</u>

Non-capital losses

As at April 30, 2011, the Company had non-capital losses available for carry-forward of \$7,658,797 (2010 – \$9,239,997) of which \$491,918 will expire in 2028, \$2,858,556 will expire in 2029, \$3,891,464 will expire in 2030 and \$416,859 will expire in 2031.

Temporary differences

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for income tax purposes. Significant components of the Company's future income tax liability are as follows:

	<u>2011</u>	<u>2010</u>
Income tax effect of taxable (deductible) temporary differences:		
Net book value in excess of undepreciated capital cost for tax purposes	\$ 2,378,253	\$ 2,232,062
Non capital losses carried forward	(1,914,699)	(2,314,209)
Share issuance costs deductible for tax purposes	(26,788)	(6,615)
Intangible asset	(126,451)	(134,356)
Capital lease obligations	<u>(44,937)</u>	<u>(45,268)</u>
Recognized future income tax (asset) liability	265,378	(268,386)
Valuation allowance	<u>-</u>	<u>268,386</u>
	<u>\$ 265,378</u>	<u>\$ -</u>

Income tax reconciliation

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 28.67% (2010 – 28.67%) to the net income (loss) before tax for the year and is reconciled as follows:

Dalmac Energy Inc.

Notes to the Consolidated Financial Statements

April 30, 2011

10. Income taxes (cont'd)

	<u>2011</u>	<u>2010</u>
Expected income tax expense (recovery)	\$ 613,059	\$ (567,734)
Increase (decrease) resulting from:		
Tax rate differential	(54,849)	52,863
Non-deductible expenses	16,240	29,268
Non-taxable portion of capital gain	(2,016)	-
Change in valuation allowance	(268,386)	268,386
Other	(38,670)	(7,356)
	<u>\$ 265,378</u>	<u>\$ (224,573)</u>

11. Capital management

The Company's strategy is to a) maintain a level of capital for operations and to sustain future growth of the business and b) meet the debt covenants imposed by our banking institution. The Company strives to maintain a healthy balance between debt and equity to ensure the continued access to capital to fund growth and ensure long-term viability. The Company defines capital as long-term debt, long-term capital lease obligations, callable debt due beyond one year and shareholders' equity. The Company monitors its capital balance through regular evaluations of its long-term debt to equity ratio. Callable debt is treated as long term debt for the purpose of this calculation. The components of capital used in the long-term debt to equity ratio as of April 30, 2011 and April 30, 2010 are shown in the table below.

	<u>2011</u>	<u>2010</u>
Long-term debt	\$ 3,901,557	\$ 3,411,863
Capital lease obligations – long term	136,625	-
Callable debt due beyond one year	-	3,226,730
Total long-term debt	4,038,182	6,638,593
Shareholders' equity	8,760,775	6,823,758
Total capital	<u>\$ 12,798,957</u>	<u>\$ 13,462,351</u>
Long-term debt to equity	0.46	0.97

The Company is subject to externally imposed capital requirements in the form of: fixed charge coverage and tangible net worth ratios. The Company reviews these ratios on a monthly basis to assess the ongoing status of its financial condition. These covenants are required to be tested monthly. As at April 30, 2011, the Company is fully compliant with both these bank covenants. In addition, the Company has received an amendment to tolerate and amend the capital expenditure covenant as at April 30, 2011.

The Company is satisfied that it has sufficient access to capital resources for its operations and to fund the future growth of the business.

Dalmac Energy Inc.

Notes to the Consolidated Financial Statements

April 30, 2011

12. Share capital

Authorized:

- Unlimited common voting shares
- Unlimited preferred non-voting shares, issuable in series

Common shares issued:

	<u>2011</u>		<u>2010</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>
Balance, beginning of year	17,974,522	\$ 8,766,698	12,974,522	\$ 8,439,453
Add shares issued:				
On exercise of warrants	374,220	64,631	-	-
Issued for cash:				
Private placement	-	-	5,000,000	500,000
Less financing costs paid in cash net of future tax	-	-	-	(11,955)
Less deemed allocation to warrants	-	-	-	(160,800)
Balance, end of year	<u>18,348,742</u>	<u>\$ 8,831,329</u>	<u>17,974,522</u>	<u>\$ 8,766,698</u>

On January 25, 2010, the Company completed the private placement of five million units at a price of 10 cents per unit thereby increasing the number of common shares issued to a total of 17,974,522 at that time. Each unit of this private placement consists of one common share and one share purchase warrant. Total proceeds of the share and warrant issuance were \$500,000 with issuance costs of \$11,955 net of future income tax of \$4,884. Each warrant entitles the holder to purchase one common share at a price of 15 cents per share if exercised within two years. The amount allocated to the warrants issued as part of the private placement was calculated by taking the total net cash proceeds of the shares issued in the private placement on a pro-rata basis with the fair value of the warrants issued using the Black-Scholes Option Pricing Model and the market value of the shares issued in the private placement. The proceeds allocated to the warrants are \$160,800 and to the share capital are \$327,245.

Dalmac Energy Inc.

Notes to the Consolidated Financial Statements

April 30, 2011

12. Share capital (cont'd)

Preferred shares

The preferred shares are outstanding in 142771 Alberta Ltd., a wholly owned subsidiary. The preferred shares were issued to the former owner of Tinky Rentals LP and Tinky Trucking LP as part of the consideration on acquisition on September 15, 2008. As of the date of issue, the preferred shares carried a cumulative dividend at the rate of six percent (6%) per annum and were redeemable or retractable. On February 1, 2010, the former owner and the Company entered into an amended agreement wherein the preferred shares would be redeemed prior to the repayment of the promissory note which was also issued as part of the acquisition. The cumulative dividend rate on the preferred shares increased to 10% per annum from 6% per annum and is being paid with required monthly redemptions of \$12,740. During the year, 152,878 of the preferred shares were redeemed for \$152,878 (2010 – 326,707 of preferred shares were redeemed for \$326,707). The current portion of the preferred share liability is \$152,878 (2010 - \$152,878), and long-term portion is \$267,537 (2010 - \$420,415).

Preferred shares issued:

	<u>2011</u>		<u>2010</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>
Balance, beginning of year	573,293	\$ 573,293	900,000	\$ 900,000
Preferred shares redeemed	<u>(152,878)</u>	<u>(152,878)</u>	<u>(326,707)</u>	<u>(326,707)</u>
Balance, end of year	<u>420,415</u>	<u>\$ 420,415</u>	<u>573,293</u>	<u>\$ 573,293</u>

Stock options

The Company has a stock option plan under which directors, officers and employees of the Company and its affiliates are eligible to receive stock options. The maximum number of shares issuable pursuant to the exercise of outstanding options granted under the plan shall be 10% of the issued shares of the Company at the time of granting the options. The maximum number of common shares optioned to any one optionee shall not have an expiry date which exceeds 5% of outstanding common shares of the Company and options granted under the plan may not exceed five years. The exercise price of each option shall be determined by the directors at the time of grant but shall not be less than the price permitted by the policy or policies of the stock exchanges on which the Company's common shares are then listed.

On August 26, 2010 the Company granted 306,000 options to its employees under the stock option plan. These options are vested equally over three years starting August 26, 2010. The fair value of the options was calculated using a risk free interest rate of 1.18%, the expected life of the options was five years and the expected volatility was 125%.

The total cost of options vested in the current year resulted in stock-based compensation expense and an addition to contributed surplus of \$11,471 (2010 - \$16,269).

Dalmac Energy Inc.

Notes to the Consolidated Financial Statements

April 30, 2011

12. Share capital (cont'd)

Stock options (cont'd)

The following summarizes activity related to stock options:

	Number	Weighted Average Exercise Price 2011	Number	Weighted Average Exercise Price 2010
Balance, beginning of year	650,000	\$ 0.53	775,000	\$ 0.52
Granted	306,000	0.15	-	-
Expired	-	-	(125,000)	.45
Outstanding, end of year	956,000	\$ 0.41	650,000	\$ 0.53
Exercisable, end of year	633,333	\$ 0.53	383,333	\$ 0.53

The following summarizes stock options outstanding as at April 30, 2011.

Expiry Date	Number Outstanding	Exercise Price
June 21, 2012	600,000	\$ 0.54
May 1, 2013	50,000	\$ 0.40
August 25, 2015	306,000	\$ 0.16
	956,000	

Warrants

Warrants issued:

	<u>2011</u>		<u>2010</u>	
	<u>Warrants</u>	<u>Amount</u>	<u>Warrants</u>	<u>Amount</u>
Balance, beginning of year	5,000,000	\$ 160,800	-	\$ -
Warrants issued	-	-	5,000,000	160,800
Exercise of warrants	<u>(374,200)</u>	<u>(12,035)</u>	-	-
Balance, end of year	<u>4,625,800</u>	<u>\$ 148,765</u>	<u>5,000,000</u>	<u>\$ 160,800</u>

All warrants issued and outstanding have an exercise price of \$0.15 per warrant.

Dalmac Energy Inc.

Notes to the Consolidated Financial Statements

April 30, 2011

12. Share capital (cont'd)

Warrants (cont'd)

The amount allocated to the warrants issued as part of the private placement was calculated by taking the total net cash proceeds of the shares issued in the private placement on a pro-rata basis with the fair value of the warrants issued using the Black-Scholes Option Pricing Model using the following assumptions, and the market value of the shares issued in the private placement. The fair value of the warrants was calculated using the Black-Scholes Option Pricing Model using a weighted average risk-free interest rate of 1.18%, a weighted average expected life of two years and a weighted average expected volatility of 88%.

13. Contributed surplus

The following summarizes the changes in contributed surplus:

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 642,267	\$ 625,998
Stock-based compensation (Note 12)	<u>11,471</u>	<u>16,269</u>
Balance, end of year	<u>\$ 653,738</u>	<u>\$ 642,267</u>

Dalmac Energy Inc.

Notes to the Consolidated Financial Statements

April 30, 2011

14. Earnings per share

The following table sets forth the computation of basic and diluted income per share:

	<u>2011</u>	<u>2010</u>
Numerator for basic and diluted earnings/(loss) per share:		
Net income (loss) attributable to common shareholders	\$ 1,872,950	\$ (1,755,668)
Denominator for basic and diluted earnings/(loss) per share:		
Basic weighted average number of common shares	18,173,991	14,275,892
Stock options	65,460	-
Warrants	1,834,581	-
Diluted weighted average number of common shares	20,074,032	14,275,892
Basic earnings (loss) per share	\$ 0.10	\$ (0.12)
Diluted earnings (loss) per share	\$ 0.09	\$ (0.12)

The effects of the 650,000 stock options outstanding at year-end April 30, 2010 are not included in the diluted loss per share calculation as the impact would be anti-dilutive.

15. Supplemental cash flow information

(a) Supplemental information	<u>2011</u>	<u>2010</u>
Interest paid	<u>\$ 1,026,367</u>	<u>\$ 621,090</u>

(b) Non-cash financing and investing activities

Acquisition of property, plant and equipment with capital leases of \$199,173 (2010 - \$nil).

Dalmac Energy Inc.

Notes to the Consolidated Financial Statements

April 30, 2011

16. Commitments

The Company leases equipment and premises under long term operating leases. The leases for premises are exclusive of operating costs.

The Company also has two management contracts.

- (a) The Company pays consulting fees of \$10,000 per month (2010 - \$10,000 per month), pursuant to a contract agreement expiring on September 15, 2011.
- (b) The Company pays consulting fees of \$12,445 per month (2010 - \$12,445 per month) pursuant to a contract agreement expiring on November 14, 2014. The contract automatically renews every 5 years for an additional 5 year term. In addition, when the Company's net income before tax reaches \$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.

Future minimum annual payments are as follows:

	2012	2013	2014	2015	2016
Equipment	\$ 10,371	\$ 8,352	\$ 6,909	\$ 4,000	\$ -
Premises	519,721	193,633	84,000	84,000	56,000
Management contracts	239,338	149,338	149,338	80,892	-
	<u>\$ 769,430</u>	<u>\$ 351,323</u>	<u>\$ 240,247</u>	<u>\$ 168,892</u>	<u>\$56,000</u>

17. Related party transactions

During the year the Company had the following transactions with related parties:

- (a) Leased premises from a company controlled by a director for \$178,450 (2010 - \$164,450).
- (b) Paid management and consulting fees to a company controlled by a director in the amount of \$160,275 (2010 - \$160,038) and accrued a bonus of \$153,919 (2010 - \$nil) as at April 30, 2011 (Note 16(b)).
- (c) Paid consulting fees to a member of senior management in the amount of \$120,000 (2010 - \$120,000) (Note 16(a)).
- (d) The Company is indebted to a director of the Company for an amount of \$nil (2010 - \$40,705) (Note 9). Interest expense of \$798 (2010 - \$2,874) has been paid during the year. The promissory note was non-interest bearing until February, 2008.
- (e) The Company is indebted to a member of senior management for the amount of \$313,516 (2010 - \$295,303) (Note 9) in a promissory note in addition to \$420,415 (2010 - \$573,293) in preferred shares (Note 12). Preferred share dividend expense of \$47,901 (2010 - \$86,269) was recorded in the year with \$71,558 (2010 - \$71,558) payable at year end.

Dalmac Energy Inc.

Notes to the Consolidated Financial Statements

April 30, 2011

17. Related party transactions (cont'd)

- (f) On March 1, 2011, the Company entered into a sale lease-back agreement with a company controlled by a director. The property was sold for \$590,165 comprised of \$400,000 cash and a note receivable of \$190,165 (Note 3). The monthly lease-back payment is \$7,000 comprised of \$4,200 paid to the director and a monthly payment of \$2,800 applied to the promissory note (Note 3).

These transactions, with the exception of 17(f) are in the normal course of operations and all transactions have been recorded in these financial statements at their exchange amount which is the amount of consideration established and agreed to by the related parties and in management's opinion based on standard commercial terms.

18. Financial instruments

- (a) Financial instruments – carrying values

	<u>2011</u>	<u>2010</u>
<u>Financial asset – classified as held-for trading</u>		
Cash	\$ 52,485	\$ -
<u>Financial asset – classified as loans and receivables</u>		
Accounts receivable	\$ 6,627,121	\$ 3,361,114
Note receivable	187,248	-
<u>Financial liabilities – classified as other financial liabilities</u>		
Bank indebtedness	\$ 3,381,572	\$ 1,760,338
Accounts payable and accrued liabilities	3,539,232	3,031,756
Callable debt	-	3,226,730
Long term debt	6,422,150	5,144,234
Preferred shares	420,415	573,293

The estimated fair value of the Company's financial instruments approximates the amount for which the financial instruments could currently be exchanged in an arm's length transaction between willing parties under no compulsion to act. The Company has determined that the fair value of its short-term financial assets, including cash and accounts receivable and short term liabilities including accounts payable and accrued liabilities and callable debt approximates their respective carrying amounts as at the balance sheet dates because of the short-term maturity of those instruments. The fair value of the Company's bank indebtedness approximates its carrying value due to the floating rate nature of the debt. The fair value of the note receivable approximates its carrying value as the interest rate is similar to the current market rate for similar instruments. The fair value of the long-term debt obligations approximates their carrying value as the interest rates are similar to the current market rate for similar debt.

The Company categorizes its fair value measurements according to a three level hierarchy with the fair value of cash being determined using Level 1 fair value measurements.

Dalmac Energy Inc.

Notes to the Consolidated Financial Statements

April 30, 2011

18. Financial instruments (cont'd)

(b) Financial risk management

(i) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company is exposed to credit risk from customers; however, it is the opinion of the Company's management that the credit risk is minimal. Accounts receivable carried at amortized cost are subject to periodic impairment review and are classified as impaired when, in the opinion of management, there is a reasonable doubt that credit-related losses are expected to be incurred taking into consideration all circumstances known at the date of review. The Company is exposed to credit risk through its cash. The Company manages this risk by holding its funds with reputable financial institutions. The Company's maximum exposure is the value of its trade accounts receivable and cash, which at April 30, 2011, had a total carrying value of \$6,679,606 (2010 - \$3,361,114). A significant portion (23.4%) of the outstanding accounts receivable at April 30, 2011 is due from two customers (2010 - 24.0% from two customers).

Accounts receivable aging as at year-end is as follows:

	<u>Total</u>	<u>1-60 days</u>	<u>61-120 days</u>	<u>Over 120 days</u>
2011	\$ 6,627,121	\$ 5,164,913 77.9%	\$ 1,327,561 20.0%	\$ 134,647 2.1%
2010	\$ 3,361,114	\$ 2,692,565 80.1%	\$ 652,514 19.4%	\$ 16,035 0.5%

Accounts receivable in excess of 60 days as at April 30, 2011 totaled \$1,462,208 (April 30, 2010 - \$668,549). In the oil and gas servicing sector, invoices exceeding 90 days are not out of the ordinary. Management is not currently aware of any receivables in this category that would need to be classified as uncollectible. Historically, bad debts as a percentage of revenue are less than 1.0%.

Provision for uncollectible accounts are made in the allowance for doubtful accounts. Balances in the allowance for doubtful accounts are as follows:

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 16,225	\$ 7,562
Provision for doubtful accounts	<u>956</u>	<u>8,663</u>
Balance, end of year	<u>\$ 17,181</u>	<u>\$ 16,225</u>

Dalmac Energy Inc.

Notes to the Consolidated Financial Statements

April 30, 2011

18. Financial instruments (cont'd)

(ii) Liquidity risk

Liquidity risk is the potential inability to meet financial obligations as they become due. The Company manages this risk by maintaining detailed cash forecasts. The management of consolidated liquidity requires a constant monitoring of expected cash inflows and outflows which is achieved through a detailed forecast of the Company's consolidated liquidity position, to ensure adequacy and efficient use of cash resources. Liquidity adequacy is assessed in view of historical volatility and seasonal needs and the maturity profile of indebtedness. The Company also constantly monitors any financing opportunities to optimize its capital structure and maintain appropriate financial flexibility. The Company has a working capital deficiency of \$2,274,687 at April 30, 2011 (2010 - \$6,212,643).

The Company's current credit facility contains financial covenants that are based on fixed charge coverage and tangible net worth ratios. As at April 30, 2011, the Company was in compliance with both covenants.

The following table summarizes the contractual maturities and financial liabilities for continuing operations for the twelve month periods ended April 30 under loan facilities as they existed at April 30, 2011.

	<u>2012</u>		<u>2013</u>		<u>2014</u>		<u>2015</u>
Bank indebtedness	\$ 3,381,572	\$	-	\$	-	\$	-
Accounts payable and accrued liabilities	3,539,232		-		-		-
Capital lease obligations*	61,324		54,618		48,921		48,921
Long term debt*	2,856,483		2,151,457		1,658,109		381,709
Preferred shares*	<u>187,913</u>		<u>172,625</u>		<u>119,436</u>		<u>-</u>
	<u>\$ 10,026,524</u>	\$	<u>2,378,700</u>	\$	<u>1,826,466</u>	\$	<u>430,630</u>

*includes interest calculated to be paid

The following table summarizes the contractual maturities and financial liabilities for continuing operations for the twelve month periods ended April 30 under loan facilities as they existed at April 30, 2010.

	<u>2011</u>		<u>2012</u>		<u>2013</u>		<u>2014</u>
Bank indebtedness	\$ 1,760,338	\$	-	\$	-	\$	-
Accounts payable and accrued liabilities	3,031,756		-		-		-
Callable debt	3,226,730		-		-		-
Capital lease obligations	171,207		-		-		-
Long term debt	1,732,371		1,854,715		1,136,172		420,976
Preferred shares	<u>152,878</u>		<u>152,878</u>		<u>267,537</u>		<u>-</u>
	<u>\$ 10,075,280</u>	\$	<u>2,007,593</u>	\$	<u>1,403,709</u>	\$	<u>420,976</u>

Dalmac Energy Inc.
Notes to the Consolidated Financial Statements
April 30, 2011

18. Financial instruments (cont'd)

(iii) Interest rate risk

The Company has floating rate debt, which is subject to interest rate cash flow risk. The required cash flow to service the debt will fluctuate as a result of the changes in market rates.

As at April 30, 2011, other variables unchanged, an increase or decrease of 1% in the prime interest rate would impact the Company's net income by approximately \$56,695.

19. Comparative figures

Certain of the comparative figures have been reclassified to conform to the current year's presentation.