

DALMAC ENERGY INC.
Consolidated Financial Statements
Six Month Period Ended October 31, 2006
(Unaudited)

MANAGEMENT REPORT

To the Shareholders of **Dalmac Energy Inc.**

The accompanying unaudited consolidated balance sheet of **Dalmac Energy Inc.** as at October 31, 2006 and the consolidated statements of loss, retained earnings and cash flows for the six month period then ended, have been prepared by management and approved by the Board of Directors of the Company.

These consolidated financial statements have not been reviewed by the Company's external auditors.

Edmonton, Canada
December 12, 2006

Signed "John I. Babic"
PRESIDENT AND CHIEF EXECUTIVE OFFICER

DALMAC ENERGY INC.
Consolidated Balance Sheet
October 31, 2006
(Unaudited)

	<u>October 31</u> <u>2006</u>	<u>April 30</u> <u>2006</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,810,823	\$ 5,670,965
Accounts receivable	1,713,995	3,180,717
Income taxes receivable	240,384	-
Inventory	135,672	73,359
Prepaid expenses and deposits	463,821	514,824
Current portion of loan receivable	-	32,034
	<u>7,364,695</u>	<u>9,471,899</u>
LOAN RECEIVABLE	-	102,974
PROPERTY AND EQUIPMENT (Note 4)	5,056,694	5,180,299
GOODWILL (Note 1)	<u>1,504,313</u>	<u>1,504,313</u>
	<u>\$ 13,925,702</u>	<u>\$ 16,259,485</u>
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness	\$ -	\$ 597,000
Accounts payable and accrued liabilities	949,508	1,784,858
Income taxes payable	-	52,776
Callable debt due within the year (Note 5)	53,106	106,212
Current portion of long term debt (Note 6)	<u>586,497</u>	<u>1,224,957</u>
	<u>1,589,111</u>	<u>3,765,803</u>
Callable debt (Note 5)	<u>200,868</u>	<u>200,868</u>
	<u>1,789,979</u>	<u>3,966,671</u>
LONG TERM DEBT (Note 6)	2,571,977	2,440,655
FUTURE INCOME TAXES (Note 7)	<u>375,825</u>	<u>311,632</u>
	<u>4,737,781</u>	<u>6,718,958</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 8)	8,266,331	8,255,693
CONTRIBUTED SURPLUS (Note 9)	292,568	292,568
RETAINED EARNINGS	<u>629,022</u>	<u>992,266</u>
	<u>9,187,921</u>	<u>9,540,527</u>
	<u>\$ 13,925,702</u>	<u>\$ 16,259,485</u>

APPROVED ON BEHALF OF THE BOARD

Signed "John I. Babic" Director

Signed "Shawn T. Szydlowski" Director

See accompanying notes

DALMAC ENERGY INC.
Consolidated Statement of Income (Loss)
Three and Six Month Period Ended October 31, 2006
(Unaudited)

	October, 31 2006 (3 months)	October, 31 2,005 (3 months)	October, 31 2006 (6 months)	October, 31 2,005 (6 months)
Revenue	\$ 2,225,967	\$ 3,472,135	\$ 4,420,743	\$ 6,279,384
Direct Costs	1,715,857	2,490,613	3,357,895	4,704,122
Gross profit	<u>510,110</u>	<u>981,522</u>	<u>1,062,848</u>	<u>1,575,262</u>
Expenses				
General and Administrative	287,997	273,133	489,174	485,979
Wages and benefits	274,233	416,411	562,905	594,080
Amortization	202,467	218,119	415,403	609,537
Interest on long term debt	60,294	75,475	127,601	146,769
	<u>824,991</u>	<u>983,138</u>	<u>1,595,083</u>	<u>1,836,365</u>
Income (loss) from Operations	(314,881)	(1,616)	(532,235)	(261,103)
Other income (expenses)				
Interest Income	26,869	2,545	80,297	2,545
Gain (loss) on disposal of assets	15,172	(50,201)	15,172	(50,201)
	<u>42,041</u>	<u>(47,656)</u>	<u>95,469</u>	<u>(47,656)</u>
Income (loss) before income taxes	<u>(272,840)</u>	<u>(49,272)</u>	<u>(436,766)</u>	<u>(308,759)</u>
Income taxes recovered (provision for)				
Current	1,076	82,070	136,715	103,743
Future	(16,408)	0	(64,193)	0
	<u>17,484</u>	<u>82,070</u>	<u>72,522</u>	<u>103,743</u>
Net income (loss) for the period	<u>(255,356)</u>	<u>32,798</u>	<u>(364,244)</u>	<u>(205,016)</u>
Retained earnings at beginning of period	\$ 906,397	\$ 72,579	\$ 992,266	\$ 310,395
Retained earnings at end of period	\$ 629,022	\$ 105,379	\$ 629,022	\$ 105,379
Net income per share				
Basic	\$ (0.02)	\$ 0.01	\$ (0.02)	\$ 0.01
Diluted	\$ (0.02)	\$ 0.01	\$ (0.02)	\$ 0.01
Weighted average number of shares				
Basic	12,395,263	6,338,989	12,395,263	6,338,989
Diluted	<u>13,299,452</u>	<u>7,578,363</u>	<u>13,299,452</u>	<u>7,578,363</u>

DALMAC ENERGY INC.
Consolidated Statement of Cash Flows
Three and Six Month Period Ended October 31, 2006
(Unaudited)

	October, 31 2006 (3 months)	October, 31 2,005 (3 months)	October, 31 2006 (6 months)	October, 31 2,005 (6 months)
Operating Activities				
Net income (loss) for period	\$ (255,356)	\$ 32,798	\$ (363,244)	\$ (205,016)
Items not affecting cash & cash equivalents:				
Amortization	202,467	218,119	405,701	436,239
Loss (gain on disposal of assets)	(15,172)	50,201	(15,172)	50,201
Future income taxes	(16,408)	0	64,193	0
	<u>(84,469)</u>	<u>301,118</u>	<u>91,478</u>	<u>281,424</u>
Changes in non-cash working capital:				
Accounts receivable	357,444	(418,951)	1,601,730	(305,211)
Inventory	(58,736)	1,550	(62,313)	81,375
Prepaid expenses and deposits	74,412	(108,835)	51,003	(136,435)
Accounts payable and accrued liabilities	(168,701)	(55,948)	(835,351)	311,376
Income taxes payable	(165,165)	(160,526)	(293,160)	(280,868)
GST payable (receivable)	0	60,871	0	120,534
	<u>39,254</u>	<u>(681,839)</u>	<u>461,909</u>	<u>(209,229)</u>
	<u>(45,215)</u>	<u>(380,721)</u>	<u>553,387</u>	<u>72,195</u>
Investing Activities				
Purchase of property and equipment	(49,931)	(41,445)	(356,925)	(108,416)
Disposal of property & equipment	90,000	150,000	90,000	150,000
	<u>40,069</u>	<u>108,555</u>	<u>(266,925)</u>	<u>41,584</u>
Financing Activities				
Proceeds from issuance of share capital	0	892,709	40,138	945,795
Share issuance costs	0	0	(29,500)	0
Proceeds from long term debt	30,500	16,500	183,239	70,609
Repayment of callable debt	(26,553)	0	(53,106)	0
Repayment of long term debt	(374,032)	(350,102)	(690,375)	(688,374)
	<u>(370,085)</u>	<u>559,107</u>	<u>(549,604)</u>	<u>328,030</u>
Increase (decrease) in cash and cash equivalents	(375,231)	286,941	(263,142)	441,809
Cash & cash equivalents at beginning of period	5,186,054	(1,001,865)	5,073,965	(1,156,733)
Cash & cash equivalents at end of period	\$ 4,810,823	\$ (714,924)	\$ 4,810,823	\$ (714,924)
Cash (Deficiency) Consists of:				
Cash & cash equivalents	\$ 4,810,823	\$ 0	\$ 4,810,823	\$ 0
Bank indebtedness	0	(714,924)	0	(714,924)

DALMAC ENERGY INC.
Notes to Consolidated Financial Statements
Six Month Period Ended October 31, 2006
(Unaudited)

1. DESCRIPTION OF OPERATIONS

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

Effective November 8, 2004 the Company acquired for cash and common shares, all of the outstanding shares of McClelland Oil Services Inc. (McClelland). McClelland operates a fleet of service vehicles and equipment used in the oil and gas industry in Alberta.

McClelland acquisition

The purchase price was \$2,280,000, comprised of \$911,000 cash, \$509,000 of promissory notes, and 2,150,000 common shares valued at \$0.40 per share totaling \$860,000. The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition.

Current assets	\$2,164,204
Property and equipment	3,900,931
Goodwill	<u>1,222,713</u>
Total assets acquired	<u>7,287,848</u>
Current liabilities	3,047,722
Long-term debt	1,741,728
Other liabilities	<u>218,398</u>
Total liabilities assumed	<u>5,007,848</u>
Net assets acquired	<u>\$2,280,000</u>

Effective March 14, 2005, the Company acquired for cash and common shares the assets and business of S Young Oilfield Ltd. (S Young). S Young is engaged in hydro vac operations servicing the oil and gas industry in Alberta.

S Young acquisition

The purchase price was \$850,000, comprised of \$340,000 cash, \$386,000 of promissory notes, and 210,169 common shares valued at \$0.59 per share totaling \$124,000. The following table summarizes the estimated fair value of the assets acquired at the date of acquisition.

Property and equipment	\$ 568,400
Goodwill	<u>281,600</u>
Total assets acquired	<u>\$ 850,000</u>

The results of operations from these acquisitions are included in the accounts from the effective date of acquisition.

DALMAC ENERGY INC.
Notes to Consolidated Financial Statements
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(Unaudited)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries 750761 Alberta Ltd. and McClelland Oil Services Inc.

(b) Cash and cash equivalents

The Company considers cash and short term investments as cash and cash equivalents.

(c) Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

(d) Property and equipment

Property and equipment are recorded at cost and amortized using the straight-line method over their estimated useful lives as follows:

Rental equipment	12 years
Service equipment	12 years
Plant equipment	10 years
Service vehicles	8 years
Trucks	8 years
Office equipment and furniture	4 years
Leasehold improvements	Term of lease

(e) Impairment of long-lived assets

In the event that facts and circumstances indicate that the carrying value of long-lived assets may be impaired, the Company performs a recoverability evaluation. If the evaluation indicates that the carrying value of the asset is not recoverable from undiscounted cash flows attributable to the asset, then an impairment loss is measured by comparing the carrying amount of the asset to its fair value.

(f) Goodwill

Goodwill comprises the excess of cost over fair values of the underlying net assets acquired arising from business combinations accounted for using the purchase method. Goodwill is not amortized.

The Company continually evaluates, on a two-step basis, whether an impairment of goodwill has occurred and whether an impairment loss should be recognized. The first test for impairment involves comparing the fair value of the Company with its carrying amount, including goodwill. The fair value of goodwill is determined by the excess of the fair value of the Company over the carrying amounts of its assets and liabilities. If the fair value of the Company exceeds its carrying amount, then goodwill is not considered to be impaired, and the second test is unnecessary. When the fair value of the Company does not exceed its carrying amount, the second test for impairment is performed, which involves comparing the fair value of goodwill with the carrying amount of goodwill. When the carrying amount of the goodwill exceeds the fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

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DALMAC ENERGY INC.
Notes to Consolidated Financial Statements
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(Unaudited)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Income taxes

Income taxes are accounted for by the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases.

(h) Revenue recognition

Service revenue is recognized when services are performed.

Product sales revenue is recognized when the products are shipped, at which time title passes to the customer.

(i) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. The significant areas requiring the use of management estimates relate to the amortization of property and equipment, determining the impairment of goodwill and the assumptions used in determining stock based compensation. Actual results could differ from these estimates.

(j) 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.

(k) Asset retirement obligations

The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value is added to the carrying amount of the associated asset. The liability is accreted at the end of each period through charges to operating expenses.

(l) Stock-based compensation

Stock-based compensation of employees, directors, officers and consultants is recorded in accordance with the fair value based method.

(m) Net income per share

Basic net income per share is calculated based on the weighted average number of shares outstanding during the year. Diluted net income per share reflects the assumed conversion of all dilutive securities using the treasury stock method. Diluted net income per share figures are equal to those of basic net income per share if the effects of stock options and warrants have been excluded since they are anti-dilutive.

(n) Share issuance costs

Costs related to the issuance of shares (net of the related income effect) are charged against share capital.

DALMAC ENERGY INC.
Notes to Consolidated Financial Statements
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(Unaudited)

3. RESTRICTED CASH

Included in the Cash and Cash Equivalents, the Company has a \$100,000 deposit held in trust by legal counsel for a promissory note holder as security for the promissory note in the amount of \$222,809 (see note 8).

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	October 31 2006 Net book value
Service equipment	\$ 4,378,773	\$ 1,639,238	\$ 2,739,535
Service vehicles	3,614,141	1,774,297	1,839,844
Plant equipment	413,054	174,714	238,340
Office equipment and furniture	194,561	147,977	46,584
Trucks	118,153	51,435	66,718
Rental equipment	74,573	33,237	41,336
Leasehold improvements	127,252	75,572	51,680
Land	32,657	-	32,657
	\$ 8,953,164	\$ 3,896,470	\$ 5,056,694

	Cost	Accumulated amortization	April 30 2006 Net book value
Land	\$ 32,657	\$ -	\$ 32,657
Service equipment	4,449,225	1,497,012	2,952,213
Service vehicles	3,403,509	1,611,890	1,791,619
Plant equipment	400,754	156,509	244,245
Office equipment and furniture	189,651	134,259	55,392
Leasehold improvements	107,100	64,894	42,206
Trucks	63,002	45,479	17,523
Rental equipment	74,573	30,129	44,444
	\$ 8,720,471	\$ 3,540,172	\$ 5,180,299

DALMAC ENERGY INC.
Notes to Consolidated Financial Statements
Six Month Period Ended October 31, 2006
(Unaudited)

5. CALLABLE DEBT	<i>October 31</i> 2006	<i>April 30</i> 2006
Bank loan, payable \$657 per month principal, plus interest at prime plus 1.25%.	\$ 19,037	\$ 22,979
Bank loan, payable \$7,292 per month principal, plus interest at prime plus 1.25%.	194,358	238,110
Bank loan, payable \$902 per month principal, plus interest at prime plus 1.25%.	40,579	45,991
	253,974	307,080
Less current portion due within the current year	(53,106)	(106,212)
	\$ 200,868	\$ 200,868

Unless the bank loans are demanded the approximate principal repayments due within each of the next five years are as follows:

2007	\$ 53,106
2008	106,212
2009	81,137
2010	10,824
2011	2,695
	\$ 253,974

DALMAC ENERGY INC.
Notes to Consolidated Financial Statements
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(Unaudited)

6. LONG TERM DEBT

	<i>October 31</i> 2006	<i>April 30</i> 2006
Conditional sales contracts, consisting of eleven separate contracts, with interest at rates ranging from 6.60% to 7.95% per annum, repayable in monthly principal and interest payments that vary over the term of each contract, maturing on various dates to April, 2011, secured by specific service vehicles and service equipment	\$ 1,848,446	\$ 2,204,445
Conditional sales contracts, consisting of seven separate contracts, bearing interest at rates ranging from 7.25% to 8.75% per annum, repayable in monthly blended payments that vary over the term of each contract, maturing on various dates to January, 2010, secured by specific vehicles and equipment	557,409	614,628
Conditional sales contract, bearing interest at 8.5% per annum, repayable in monthly blended payments of \$4,136, maturing in April, 2010, secured by specific vehicle and equipment	150,669	168,635
Conditional sales contracts, consisting of three separate contracts, bearing interest rates ranging from 8.76% to 8.95% per annum, repayable in monthly principal and interest payments that vary over the term of each contract, maturing on various dates to September, 2008, secured by specific trucks	76,582	34,491
Promissory note, repayable at \$11,701 per month, principal and interest at 4.25%, due March, 2008, secured by a charge against the assets of the company, subrogated to any existing charges	192,713	258,011
Promissory note due to a former director of the Company, payable \$8,373 per month, principal and interest at 4.25%, due November, 2008, secured by a general security agreement, shares of 750761 Alberta Ltd. sold by the promissory note holder to the Company and \$100,000 of monies in trust (see note 4)	192,655	245,402
Promissory note due to a director of the Company, repayable in equal monthly principal and interest payments of \$4,148 over thirty-six months with the first such payment commencing one month after the promissory note in the amount of \$222,809 (April 30, 2006 - \$245,402) is paid in full, to bear interest commencing from that date at a rate of 4.25% per annum	140,000	140,000
	3,158,474	3,665,612
Less current portion due within the current year	(586,497)	(1,224,957)
	\$ 2,571,977	\$ 2,440,655

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DALMAC ENERGY INC.
Notes to Consolidated Financial Statements
Six Month Period Ended October 31, 2006
(Unaudited)

6. LONG TERM DEBT *(continued)*

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

	\$	586,497
2007		1,158,073
2008		794,902
2009		441,416
2010		177,586
2011 and subsequent		<u>3,158,474</u>
	\$	<u>3,158,474</u>

7. INCOME TAXES

(a) Non-capital losses

The Company has accumulated non-capital losses carried forward for income tax purposes of approximately \$341,914, the benefit of which has been reflected in these financial statements. These losses may be applied against future taxable income within the limitations prescribed by the Income Tax Act (Canada) and expire as follows:

	\$	177,546
2015		154,300
2016		<u>331,846</u>
	\$	<u>331,846</u>

(b) Temporary differences

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

	<i>October 31</i> 2006	<i>April 30</i> 2006
Income tax effect of taxable temporary differences:		
Net book value in excess of undepreciated capital cost for tax purposes	\$ 659,294	\$ 597,225
Non capital losses carried forward	(111,168)	(119,678)
Share issuance costs deductible for tax purposes	(203,177)	(193,294)
Book value of goodwill in excess of tax value	<u>30,876</u>	<u>27,379</u>
Recognized future income tax liability	\$ 375,825	\$ 311,632

DALMAC ENERGY INC.
Notes to Consolidated Financial Statements
Six Month Period Ended October 31, 2006
(Unaudited)

8. SHARE CAPITAL

- (a) Authorized:
 Unlimited common voting shares
 Unlimited preferred shares, issuable in series

- (b) Common shares issued:

	<i>October 31</i>		<i>April 30</i>	
	Shares	Amount	Shares	Amount
Balance, beginning of period	12,378,978	\$ 8,255,693	5,795,964	\$ 1,736,980
Issued on exercise of options	9,260	6,482	292,143	133,719
Private placements	-	-	6,228,571	7,000,000
Issued on exercise of warrants	39,595	33,656	62,300	52,955
Fair value of options on exercise	-	-	-	77,501
Share issuance costs	-	(29,500)	-	(745,462)
Balance, end of period	12,427,833	\$ 8,266,331	12,378,978	\$ 8,255,693

In September 2005, pursuant to a private placement, the Company issued 1,428,571 units at \$0.70 per unit for aggregate proceeds of \$1,000,000. Each unit consisted of one common share and one-half common share purchase warrant. Each full warrant entitles the holder to purchase one common share at \$0.85 per share until September 27, 2007. The Company also issued options to the agent to acquire 142,857 units at an exercise price of \$0.70 per unit. The options expire on September 27, 2007, and each unit is identical to those issued under the private placement.

In February 2006, pursuant to a private placement, the Company issued 4,800,000 units at \$1.25 per unit for aggregate proceeds of \$6,000,000. Each unit consisted of one common share and one-half common share purchase warrant. Each full warrant entitles the holder to purchase one common share at \$1.50 per share until February 28, 2008. The Company also issued options to the agent to acquire 480,000 units at an exercise price of \$1.25 per unit. The options expire on February 28, 2008, and each unit is identical to those issued under the private placement.

During the period the company issued shares pursuant to business combinations described in note 1.

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DALMAC ENERGY INC.
Notes to Consolidated Financial Statements
Six Month Period Ended October 31, 2006
(Unaudited)

8. SHARE CAPITAL *(continued)*

(c) 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 exceed 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 exchange(s) on which the Company's common shares are then listed.

The Company accounts for options granted under this plan in accordance with the fair value based method of accounting for stock-based compensation. The application of the fair value based method requires the use of certain assumptions regarding the risk-free market interest rate, expected volatility of the underlying stock and life of the options.

During the year ended April 30, 2006, the Company granted 142,857 options on September 27, 2005 and 480,000 options on February 28, 2006 to agents of the Company as commissions. The fair value of the options granted on September 27, 2005 was calculated assuming the risk free interest rate was 3.3%, the expected life of the options was two years and the expected volatility was 57%. The market price of the Company's shares at the grant date exceeded the option exercise price. The fair value of the options granted on February 28, 2006 was calculated assuming the risk free interest rate was 3.91%, the expected life of the options was two years and the expected volatility was 55%. The market price of the Company's shares at the grant date exceeded the option exercise price. The options granted resulted in stock based compensation, which was recorded as a share issuance cost, and contributed surplus of \$305,377 during the year.

During the period ended April 30, 2005, the Company granted 150,000 options on March 21, 2005 to directors and senior officials of the company. The fair value of the options granted was calculated assuming the risk free interest rate was 2.5%, the expected life of the options was five years and the expected volatility was 4.5%. The market price of the Company's shares at the grant date exceeded the option exercise price. The options granted resulted in stock based compensation expense and contributed surplus of \$64,692 during the period.

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DALMAC ENERGY INC.
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8. SHARE CAPITAL (continued)

The following table summarizes activity related to stock options:

	Number	Weighted Average Exercise Price October 31, 2006	Number	Weighted Average Exercise Price April 30, 2006
Balance, beginning of period	913,449	\$ 0.83	662,051	\$ 0.33
Granted	-	-	622,857	1.12
Expired	-	-	(79,316)	0.30
Exercised	(9,260)	0.70	(292,143)	0.46
Outstanding, end of period	<u>904,189</u>	<u>\$ 0.83</u>	<u>913,449</u>	<u>\$ 0.83</u>
Exercisable, end of period	<u>904,189</u>	<u>\$ 0.83</u>	<u>913,449</u>	<u>\$ 0.83</u>

The following table summarizes stock options outstanding at July 31, 2006:

Expiry Date	Number outstanding	Exercise Price
September 27, 2007	18,407	0.70
February 28, 2008	480,000	1.25
December 22, 2008	255,782	0.30
March 21, 2010	<u>150,000</u>	0.45
	<u>904,189</u>	

(d) Warrants

The following table summarizes warrants outstanding at July 31, 2006:

	Expiry Date	Exercise Price	Warrants Outstanding October 31, 2006	Warrants Outstanding April 30, 2006
Issued pursuant to private placement in September, 2005	September 27, 2007	\$ 0.85	669,986	709,581
Issued pursuant to private placement in February, 2006	February 28, 2008	\$ 1.50	<u>2,400,000</u>	<u>2,400,000</u>
			<u>3,069,986</u>	<u>3,109,581</u>

The weighted average exercise price of the outstanding warrants is \$1.36.

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Six Month Period Ended October 31, 2006
(Unaudited)

9. CONTRIBUTED SURPLUS

The following table summarizes the changes in contributed surplus:

	October 31, 2006	April 30, 2006
Balance, beginning of period	\$ 292,568	\$ 64,692
Stock based compensation issued to agents on private placements	-	305,377
Fair value of options on exercise	-	(77,501)
	\$ 292,568	\$ 292,568

10. CASH FLOW SUPPLEMENTARY INFORMATION

	October 31 2006	April 30 2006
Interest paid	\$ 127,601	\$ 318,402
Income taxes paid	\$ -	\$ 244,384
Stock based compensation relating to options (issued to agents) reflected as share issuance costs	\$ -	\$ 305,377
Future income tax effect of share issuance costs	\$ 29,500	\$ 208,242

11. LEASE COMMITMENTS

The Company 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:

	2007	2008	2009	2010	2011
Equipment	\$ 651,177	\$ 597,913	\$ 569,425	\$ 380,475	\$ 38,949
Premises	215,494	215,494	66,505	-	-
	\$ 866,671	\$ 813,407	\$ 635,930	\$ 380,475	\$ 38,949

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with financial statement presentation adopted for the current year.