

September 29, 2005

Interim results of operations for 3 months ended July 31, 2005

Edmonton, Alberta – John Babic, President and CEO of Dalmac Energy Inc. ("Dalmac") (TSX Venture "DAL") announces the results of operations for the 3 month quarter ended July 31, 2005. In the quarter of the previous year which ended June 30, 2004 Dalmac was a Capital Pool Company with no assets other than the capital raised as a result of its IPO. Therefore the comparison with similar periods in the previous year provides no benefit. After the completion of Qualifying Transaction, being the purchase of McClelland Oil Services Inc. ("McClelland"), Dalmac's year-end was changed to April 30, 2005 in order to be coordinated with McClelland's operations. This resulted in Dalmac's current quarter ending July 31, 2005 while the closest corresponding quarter in the previous year was the period ending June 30, 2004.

Selected financial information

	Quarter Ended July 31 2005	Year Ended April 30 2005	Quarter Ended June 30 2004
For the periods ended (Cdn Dollars)			
Revenues	2,807,275	7,309,943	0
Gross Margin	592,959	2,158,002	0
Gross Margin %	22%	30%	0%
Operating income (loss)	(358,156)	938,190	0
Operating income /share - basic	(0.07)	0.23	0.00
Operating income/ share diluted	(0.06)	0.20	0.00
Net income (loss)	(237,816)	327,551	(9,594)
Net income per share - basic	(0.04)	0.08	(0.01)
Net income per share - diluted	(0.04)	0.07	(0.01)
Total Assets	9,410,095	9,727,208	699,176
Total long-term financial liabilities	3,452,831	3,408,868	0
Weighted average common shares -basic	5,870,977	4,154,757	3,350,983
Weighted average common shares - diluted	6,276,759	4,816,814	3,686,081

The revenues from equipment operations were \$2,807,275, for the quarter ended July 31, 2005, this represents an increase of 100% over from the previous year's quarter ended June30, 2004.

Gross profit for the quarter ended July 31, 2005 was \$592,959 or 22% as a percentage of revenue, compared to no activity in the three month quarter of the preceding financial year. The net income (loss) for the Corporation for the quarter ended July 31, 2005 was \$(237,816) or \$(0.04) per basic and fully diluted share. The net income (loss) for the Corporation for the preceding financial year was \$(9,594) or \$(0.01) per share on a fully diluted basis. Total assets at July 31, 2005 increased by \$8,710,919 to \$9,410,095, an increase of 1346% from \$699,176 as at the period ending June 30, 2004.

The direct costs for the quarter ended July 31, 2005 consists of, trades and subcontracts (\$763,518), direct labour and benefits (\$495,215), services vehicle costs (\$449,916), COGS (\$270,353), equipment repairs

(\$136,542), property rent & taxes (\$63,207), workers compensation (\$23,937), and travel & accommodations (\$11,628). Direct costs totaled \$2,214,316, or 78% as a percentage of revenue, for the quarter ended July 31, 2005. There are no direct comparables for the quarter ended June 30, 2004.

Selling, general and administration (“SG&A”) costs for the 3 months ended July 31, 2005 were \$951,115, up from \$13,004 in the 3 months ended June 30, 2004. As a percentage of revenues the SG&A costs were 34% for the current period.

The Corporation has incurred professional fee expenses of \$25,541 which mostly apply to the due diligence costs associated a short form equity offering. Travel and automotive costs have increased by \$86,444 to \$88,699 from \$2,255 in the quarter ended June 30, 2004. This is due to the sales, management and administration, travel and vehicle costs, which were largely non-existent in the quarter ended June 30, 2004.

For year the 3 month period ended July 31, 2005, the Corporation has paid \$323,534 in wages and benefits for sales, administration and supervisory personnel. The Corporation also paid \$55,855 in management fees, salaries and benefits. There were no wages, salaries or employee benefits paid for the three month quarter of the preceding year.

Selling, general and administration (“SG&A”) costs for the quarter ended July 31, 2005 was limited to the expenses referred above below.

SG&A Expenses	Quarter Ended July 30 2005	Quarter Ended June 30 2004
Wages and benefits	323,534	-
Amortization	218,119	-
Travel and automotive	88,699	2,255-
Interest on long term debt	71,294	-
Management salaries & fees	55,855	
Repairs and maintenance	36,750	
Telephone and utilities		
Office	30,246	3,875
Professional fees	25,541	6,168
Interest and bank charges	24,593	-
Advertising and promotion	21,441	253
Insurance	18,665	-
Total	951,115	13,004

Liquidity and Capital Resources

The long term debt consists of conditional sales contracts for operational vehicles and equipment, bank loans payable and promissory notes. The conditional sales contracts amounted to \$3,616,347. The bank loans payable consists of two separate loans for the purchase of S Young Oilfield Ltd. and other related equipment, totalled \$386,739 at July 31, 2005. The promissory notes, in the amount of \$353,434, \$311,760 and \$140,000, are for the vendor take backs associated with the S Young Oilfield Ltd. and the McClelland Oil Services Inc. purchases and are subordinated to all senior debt. The total amount of long term debt at July 31, 2005 was \$4,421,541. The amount of long term debt to be repaid over the next 9 months is \$968,710, and the residual long term debt at the end of the current year, based on current debt, will be \$3,452,831.

The cash flow from financing activities decreased to \$(231,077) from \$(8,000) in the three month quarter the previous year. \$53,086 was raised from the exercise of brokers warrants, \$54,109 raised from proceeds of long term debt financing and \$338,272 went to pay off long term debt. Wolverton Securities Ltd. exercised 176,953 of its agent's options for common shares of the Corporation for proceeds of \$53,086 (mentioned above) pursuant to the Agent's' stock option agreement.

Cash outflows from investing activities increased to \$66,970. This increase in investing activities reflects the purchase of various operating equipment. The net capital assets at Q1 totalled \$5,344,791, and goodwill was \$1,504,313.

The current quarter's cash flow increased by \$174,150 to \$154,867 from \$(19,283) in the previous comparable quarter of last year.

At July 31, 2005, the Corporation had a current bank indebtedness of \$1,001,866, accounts payable and accrued liabilities of \$1,424,028 and accounts receivable of \$2,083,260. The working capital deficit of the Corporation at July 31, 2005 was \$949,936. The working capital position should continue to improve with positive earnings in each successive month. The Corporation is presently in breach of its debt to tangible net worth ratio required under its covenants with its principal lender, but that the lender has agreed to waive that covenant for fiscal 2005 provided that Dalmac is in full compliance by the fiscal quarter ending October 31, 2005. These loan facilities include an operating loan (line of credit) set at a maximum of \$1,500,000 and a \$750,000 non-revolving loan. At present Dalmac has drawn down approximately \$950,000 of the line of credit and has a balance of approximately \$395,000 on its non-revolving loan.

The Corporation announced on September 27, 2005 that it had completed a short form offering of 1,428,571 units at a price of \$0.70 per unit for a total proceeds of \$1 million. Each unit consists of one common share and one half share purchase warrant; each whole share purchase warrant entitles the holder to purchase on additional common share at a price of \$0.85 per share if exercised by September 27, 2007. The Corporation also granted agents options to purchase a total of 142,857 units at a price of \$0.70 per unit as part of the agent's compensation in connection with this offering. The equity raised is expected to bring the Corporation's debt to tangible net worth back into compliance.

There is an element of cyclicity in the Corporations activities. The Corporation generally has two very strong quarters and two weak quarters, though just how weak depends on weather patterns. The winter period is the most active for Dalmac and the demands on working capital are highest during this period.

Outlook

Current world commodity prices continue to be at an all time high levels. Exploration and production from the Western Canadian Sedimentary Basin is also continuing at record levels. This bodes well for Dalmac in the foreseeable future. The current demands for the company's products and services are exceeding the Corporation's capacity to supply. This provides excellent growth opportunities for Dalmac. The current quarter was impacted by late spring break up and heavy rainfall in the month of June which restricted the operation of heavy equipment in the oil and gas fields. In spite of this, the Corporation's operating areas are experiencing activity levels that would normally be seen in the winter months. Given that the Corporation traditionally has two weak quarters followed by two very strong quarters, this bodes well for a very robust and active winter season.

Dalmac believes it has adequate working capital, cash flow from operations, and access to capital to fund ongoing business requirements. Management believes the Corporation has a cost structure that has sufficient variability to be able to adapt to the volatility of the industry. The Corporation has experienced management at all levels of operations and administration who are motivated to achieve success in both the short and long term. Dalmac is currently reviewing expansion opportunities, which may involve the requirement for capital expenditures beyond the normal course for the Corporation. Dalmac may pursue any or all these opportunities that may present themselves. In doing so the Corporation may incur term debt, issue equity, and retain cash that might otherwise be paid as dividends or any combination of the foregoing.

The activity levels for Dalmac's operations are expected to remain very strong. According to CAODC forecasts, the industry will complete over 24,000 wells this year. With industry activity at these levels Dalmac is projecting a strong fiscal 2006.

For further information, please contact John Babic, at (780) 909-4220, by fax at (780) 465-0199 or by e-mail at jbabic@dalmacenergy.com.

Statements throughout this report that are not historical facts may be considered "forward looking statements". Such statements are based on current expectations that involve risks and uncertainties, which could cause actual results to differ from those anticipated. Important factors that can cause anticipated outcomes to differ materially from actual outcomes include the impact of general economic conditions, industry conditions, competition from other industry participants, volatility of petroleum prices, the ability to attract and retain qualified personnel, changes in laws or regulations, currency fluctuations, continued ability to access capital from available facilities and environmental risks. References in this MD&A to "Dalmac", the "Corporation", "Company", "us", "we" and "our" mean Dalmac Energy Inc. and its subsidiaries 750761 Alberta Ltd. And McClelland Oil Services Inc

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