

## Dalmac Energy earns \$742,000 in 2006

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Mr. John Babic reports

### DALMAC ENERGY INC. ANNOUNCES YEAR END RESULTS

Dalmac Energy Inc.'s president and chief executive officer, John Babic, is releasing the operating results for the year ended April 30, 2006.

The year 2006 was an excellent growth year for Dalmac. Revenue has more than doubled from the preceding year. The increase in revenue was due to organic growth. The demand for Dalmac's products and services is continuing to exceed the company's current capacity to supply, which further indicates strong growth opportunities. As of April 30, 2006, the company has completed the purchase or lease of new equipment valued at \$2.7-million. The company will supplement that with a further purchase or lease of new equipment valued at an additional \$5.0-million, which is expected to be delivered by the third quarter of fiscal 2007. The management discussion and analysis (MD&A), and financial statements for earlier periods should also be considered relevant. They are available on SEDAR.

Effective April 30, 2005, the company changed its year-end date from Dec. 31 to April 30, resulting in a 16-month year for the financial period ended April 30, 2005. All future financial reporting will be done on the April 30 year-end basis. This change further impacted on the quarterly comparisons and, as a result, the quarters are referred to period ended.

#### SELECTED FINANCIAL YEAR-END INFORMATION

(in thousands of dollars, except per-share amounts and as indicated)

year ended	Year ended	Year ended	16-month
April 30, 2005	Dec. 31, 2003	April 30, 2006	
Revenues		\$ 14,779	
\$ 7,310	-		
Gross margin		\$ 4,365	
\$ 2,711	-		
Gross margin (%)		29	
37	-		
Net income (loss)		\$ 742	
\$ 267	\$ (17)		
Net income per share -- basic		\$ 0.10	
\$ 0.08	\$ (0.01)		
Net income per share -- diluted		\$ 0.09	
\$ 0.07	\$ (0.01)		

SUMMARY OF QUARTERLY RESULTS  
(in thousands of dollars, except per-share amounts)

ended	Sixth quarter period ended	Fourth quarter period
2006	April 30, 2005 (1)	April 30,
Revenue		\$
4,018	\$ 784	
Net income (loss)		\$
535	\$ (296)	
Net income per share -- basic		\$
0.08	\$ (0.07)	
Net income per share -- diluted		\$
0.07	\$ (0.07)	

(1) The quarter endings do not conform to a normal fiscal year due to the year-end changes associated with the qualifying transaction, which resulted in a 16-month year.

#### Revenue

The annual revenue for the year ended April 30, 2006, increased by \$7.5-million to \$14.8-million or 102 per cent over the \$7.3-million reported in 2005. High oil and gas prices combined with increased activity in the energy sector translated into increased revenues for the company.

The 102-per-cent increase in revenue can be attributed to:

- purchase or lease of new equipment, valued at \$2.7-million, consisting of two hydro vac units, one combo vac unit, one hot oiler, one- to three-ton four-by-four mini-pumper, two tandem tankers, three steel tridem pup trailers, one aluminum tridem pup trailer and the immediate productive use of the new equipment to generate additional revenues;
- successful marketing and consistent high-quality customer service, especially in the Hinton-Grande Cache areas, creating an expanded customer base and increased demand for the company's services; and
- successful bundling of services to customers, generating more revenue opportunities which would have previously been provided to the company's customers by third party sources.

Revenues for the fourth quarter of 2006 increased by \$3.2-million to \$4.0-million or 413 per cent over the \$800,000 in the sixth quarter of 2005. The sixth quarter of 2005 represented only a one-month quarter due to the year-end changes. Revenues for the year ended 2003 reflect the period Dalmac was a capital pool company.

#### Gross margin

The gross margin for 2006 increased by \$1.6-million to \$4.3-million or 60 per cent over \$2.7-million reported in 2005. The gross profit margin declined to 29 per cent from 37 per cent in the previous year primarily due to the increased use of subcontract operators driven by the demand for the company's services. The profit margins on subcontractors were about 10 per cent, compared with 30 per cent for company-owned equipment. As the company received delivery of the \$2.7-million of new equipment, it has scaled down the use of subcontractors. The previous year is not indicative of 12 months of operations due to the fact that it covers a 16-month period which only records the six months of operations of the company's subsidiary, McClelland Oil Services Inc. These last six months coincide with the company's busiest periods. This also effectively minimizes the negative impact of the months that are weaker due to spring breakup conditions. The six months of operations recorded is due to the timing of the qualifying transaction which occurred in early November, 2004.

Net income increased \$474,698 to \$742,060 or 178 per cent from \$267,362 reported in 2005. Net income per fully diluted share increased by two cents to nine cents or 29 per cent from the seven cents reported in the previous period.

Dalmac focuses mainly on production services rather than exploratory work so the demand for its products and services is slightly insulated from the affects of changes in commodity prices. Production and fieldwork provide a steady baseline demand for the company's products and services.

#### Outlook

High commodity prices continue to bode well for the oil and gas industry. Exploration and production from the Western Canadian sedimentary basin is also continuing at record levels. This, in turn, creates a healthy environment for Dalmac's products and services in the foreseeable future. The company's ability to meet the demands for its products and services is limited by its current capacity. This invariably results in work turndowns because of lack of equipment. This indicates excellent growth opportunities for Dalmac. Fiscal 2007 is expected to replicate last year's demand levels for the company's products and services. With the additional equipment purchases expected to be delivered in the winter of fiscal 2007, Dalmac is encouraged by the expected growth in revenue.

We seek Safe Harbor.