MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
For the Second Quarter October 31, 2016

This Management Discussion and Analysis ("MD&A") prepared December 23th, 2016 focuses on key statistics from the unaudited consolidated financial statements and notes thereto of Dalmac Energy Inc. for the three and six months ended October 31st, 2016 ("Q2'17") and consider known risks and uncertainties relating to Dalmac's operations in the oilfield services industry. This MD&A should be read in conjunction with the Company's corresponding financial statements for the same period and should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions. The accompanying Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain supplementary information and measures not recognized under IFRS are also provided in this MD&A where management believes they assist the reader in understanding Dalmac's results. These measures are calculated by Dalmac on a consistent basis unless otherwise specifically explained.

The Company's MD&As and financial statements for earlier periods should also be considered relevant and are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com or on the Company's web site at www.dalmacenergy.com. References made in this MD&A, to "Dalmac", the "Company", "us", "we" and "our" mean Dalmac Energy Inc. and its subsidiaries Dalmac Oilfield Services Inc. and 1421771 Alberta Ltd.

Non-IFRS Measures: *Dalmac uses certain non-IFRS measures as indicators of financial performance and believes that these non-IFRS measures provide useful information to shareholders. EBITDAS and gross margin are measures used by the Company and which have no standardized meaning under IFRS. The Company's method of calculating EBITDAS and gross margin may differ from other companies and may not be comparable. EBITDAS is defined as earnings before interest, taxes, depreciation and amortization, gain or loss on sale of property, plant and equipment, and stock based compensation. Management believes that in addition to net income, EBITDAS is a useful supplemental measure which provides an indication of the operating cash flow generated by the Company. EBITDAS is not intended to represent an alternative to net income as determined in accordance with IFRS as an indicator of the Company's performance. Gross margin is defined as revenue less cost of sales. Cost of sales includes direct labor and costs directly associated with the provision of goods and services.*

Forward-Looking Statements*: Statements in this MD&A relating to matters that are not historical facts are forward-looking statements. Such forward-looking statements may involve known and unknown risks and uncertainties which may cause the actual results, performances or achievements of the Company to be materially different from any future results implied or contemplated by such forward-looking statements. Some of the risks that may cause actual results to vary are described under the "Risk Management" section.*

Business Overview

Dalmac is a diversified provider of well stimulation and fluid management services which include fluid transfers, hot oiling, frack heating, well acidizing, tank rentals and equipment moving. We are also a key distributer/supplier of glycol and methanol related products. Headquartered out of Edmonton with operations branches in Fox Creek, Edson, and Warburg, Dalmac has been servicing the oil and gas fields of west central Alberta for over 60 years. We have master service agreements (MSAs) with most of North America's leading exploration and production companies. Approximately half of our revenue comes from recurring, fluid transfer and maintenance-related operations and the balance is derived from service related activities such as drilling, completions and well work overs. We are proud and grateful to our many employees for their commitment, dedication and dependable service which has helped Dalmac earn the status as a first call service provider to many of our customers in Alberta's oil and gas industry.

Terms of Reference

The terms of reference for the Company's reporting nomenclature in this MD&A are as follows:

- The second quarter of fiscal year 2017 is referred to as "Q2'17"; the same format applies to all other quarters and years
- "YE'16" refers to the year ended April 30, 2016 and "YTD" represents year to date.
- Abbreviations for "Thousands" and "Millions" are represented by the letters "K" and "M"

FINANCIAL HIGHLIGHTS

(000's Cdn Dollars, except per share data)	Q2'17	Q2'16	Change %	YTD '17	YTD '16	Change %
Revenues	4,097	5,714	(28)%	7,849	11,051	(29)%
Gross Margin %	27%	30%	(10)%	24%	23%	3%
EBITDAS	709	983	(28)%	743	906	(18)%
Earnings (loss) before income tax	(534)	(94)	(471)%	(1,605)	(1,129)	(42)%
Net earnings (loss)	(383)	(74)	(417)%	(1,214)	(836)	(45)%
Earnings (loss) per share - basic	(0.01)	(0.00)	NA%	(0.04)	(0.04)	0%
Earnings (loss) per share - diluted	(0.01)	(0.00)	NA%	(0.04)	(0.04)	0%
Financial Position						
Total Equity	8,762	11,272	(22)%	8,762	11,272	(22)%
Total Assets	21,171	25,863	(18)%	21,171	25,863	(18)%
Weighted average number of shares						
Basic	28,247,406	23,247,406	22%	28,247,406	23,247,406	22%
Diluted	28,247,406	23,247,406	22%	28,247,406	23,247,406	22%

EBITDAS calculation

(000's Cdn Dollars)	Q2'17	Q2'16	Change %	YTD '17	YTD '16	Change %
Net income (loss)	(383)	(74)	(417)%	(1,214)	(836)	(45)%
Add:						
Income tax (recovery)	(150)	(19)	674%	(391)	(293)	33%
Interest on debt	205	189	8%	365	337	8%
Amortization	735	797	(8)%	1,441	1,588	(9)%
Loss (Gain) on sale of assets	285	79	261%	504	84	499%
Stock - based compensation	19	11	65%	37	26	43%
Asset impairment	0	0	NA%	0	0	NA%
Sub-total	1,092	1,057	3%	1,956	1,742	12%
EBITDAS	709	983	(28)%	743	906	(18)%

Business Highlights

- Activity levels continued to face downward pressure largely stemming from surplus oil stockpiles, and uncertainty about oil prices. In addition, Q2'17 continued to be plagued with unseasonable heavy rainfall along with extended road construction which further hampered service activity. The aforementioned combined with fierce completion from other service providers all contributed lower service rates which helped push down revenue 28% from the same quarter last year. Dalmac's continued focus on higher margin service work instead of money losing production runs has helped yield a healthy gross profit margin of 27%.
- EBITDA decreased 28% to $709K from Q2'16.

Results of operations
Low oil prices and activity levels coupled with discounted pricing pushed quarterly revenue down 28%. Despite these trends, Dalmac has managed to keep its quarterly gross margin steady at 27%. and provide an EBITDA of $709K. After booking $285K loss on disposition of assets, the net loss for the quarter was $383K.

EXPENSES

(000's)	Q2'17	Q2'16	Change %	YE '16	Change %
Amortization	735	797	(8)%	1,588	(9)%
Wages and Benefits	(11)	283	(104)%	751	(63)%
Management salaries	178	142	25%	303	21%
Interest fees	205	189	8%	337	8%
Professional fees	27	37	(27)%	94	(29)%
Travel and Automotive	40	61	(33)%	143	(41)%
Stock based compensation	19	11	65%	26	43%
Totals	1,192	1,520	(22)%	3,243	(19)%

Continued focus on cost savings and efficiencies, expenses were reduced by 22%. Management salaries increase of 25% largely from reclassification of certain hourly personnel to salary in order to minimize overtime variabilities.

Income Taxes – For Q2'17 the Corporation booked an income tax recovery of $150K as a result of the losses incurred in the quarter

Summary of Quarterly Results

(000's Cdn Dollars, except per share data)	Q2'17 Quarter Ended 31-Oct-16	Q1'17 Quarter Ended 31-Jul-16	Q4'16 Quarter Ended 30-Apr-16	Q3'16 Quarter Ended 31-Jan-16
Revenue	4,097	3,752	4,422	6,096
Net income (loss)	(383)	(830)	(1542)	(297)
Net income (loss) per share - basic	(0.01)	(0.03)	(0.07)	(0.01)
Net income (loss) per share - diluted	(0.01)	(0.03)	(0.07)	(0.01)

(000's Cdn Dollars, except per share data)	Q2'16 Quarter Ended 31-Oct-15	Q1'16 Quarter Ended 31-Jul-15	Q4'15 Quarter Ended 30-Apr-15	Q3'15 Quarter Ended 31-Jan-15
Revenue	5,714	5,337	6,707	9,545
Net income (loss)	(74)	(762)	(894)	(120)
Net income (loss) per share - basic	(0.00)	(0.03)	(0.04)	(0.01)
Net income (loss) per share - diluted	(0.00)	(0.03)	(0.04)	(0.01)

Outlook
Recently, there have been some positive indications of market recovery as OPEC has committed to reduce production which has pushed WTI oil above $52/bbl. This along with Alberta government royalty incentives has given a glimmer of confidence to our customers in the conventional oil and gas industry who are now committing to execute on deferred drilling and completion programs. The Petroleum Services Association of Canada ("PSAC) has forecasted around 4000 wells to be drilled in Canada for 2017. Alberta currently has service equipment capacity for about 10,000 to 15,000 wells. We continue to be oversupplied on the capacity side. Despite all this, Management believes Dalmac is primed to outperform our competition and deliver on improved operational performance.

We are well-positioned geographically and have a wide range of specialized well stimulation and fluid transfer equipment services to take advantage of the upcoming drilling and completion activity.

Our commitment to customer service and safety are key contributions that place us as an industry leader and will contribute to our success in the long-term.

Our strategy going forward is to focus on revenue growth while continuing to manage our costs and reducing debt. Our many talented employees are dedicated to cash flow management through deferred replacement and repair of underutilized equipment, smart decision making on repair or replacement of assets, and taking advantage of depressed equipment pricing for asset replacement. We are confident in our prospects of, not only surviving the downturn, but coming out even stronger than before.

Liquidity

(000's)	Q2'17	Q2'16	Change %	YTD '17	YTD '16	Change %
Cash flow from operating activities	709	983	(28)%	743	906	(18)%
Changes in non-cash working capital	(959)	(730)	(31)%	(1,329)	(193)	589%
Investing activities	(142)	(415)	66%	(306)	(900)	(66)%
Financing activities	325	(942)	135%	30	(919)	(103)%
Cash and cash Equivalents	8	415	(98)%	8	415	(98)%

The Company's capital requirements consist primarily of working capital necessary to fund operations, for the purchase of equipment and capital to finance strategic acquisitions. Sources of funds available to meet these capital requirements include cash flow from operations, external lines of credit, equipment financing, term loans and access to equity markets.

Liquidity and capital resources are dependent upon the results of operations, commodity prices, capital expenditures and debt service charges. On an ongoing basis, the Company manages liquidity risk by maintaining adequate cash and cash equivalent balances, or raising of cash through equity offerings and appropriately utilizing available lines of credit. Management believes that forecasted cash flows from operating activities, equity offerings, along with available lines of credit will provide sufficient cash requirements to cover the Company's forecasted normal operating activities, commitments and capital expenditures.

Working Capital

(000's)	Q2'17	Q2'16	Change %	YTD '17	YE '16	Change %
Cash and cash Equivalents	8	415	(98)%	8	870	(99)%
Accounts Receivable	3,767	4,408	(15)%	3,767	2,807	34%
Accounts Payable	2,153	2,149	0%	2,153	2,439	(12)%
Long Term Debt	192	9,473	(98)%	192	296	(35)%
Working Capital	1,373	2,864	(52)%	1,373	(6,499)	121%

The Company continues to generate funds from operations sufficient to meet its monthly obligations. The Company's primary capital needs have been the funding of accounts receivable, debt service payments and capital expenditures. However, as working capital levels may vary primarily due to seasonal fluctuations and timing of payments and receipts, the Company utilizes its operating credit facility which assists in dealing with the timing differences of cash flows as required. Management will continue to monitor and react promptly to any impact of potential changes in the credit markets which may affect the Company's access to the necessary working capital while maintaining a primary focus on the reduction of operating costs. Working Capital does fluctuate with the timing of cash outflows. In Q2'17 the senior lender financial covenants were reset and accordingly a significant portion of short term debt was reclassified to long term. This was the main reason working capital increased by 121% from YE'16.

Subsequent Developments
There were no significant subsequent developments after Q2'17.

Capital Management

With the governing objective to ensure sufficient capital to fund its ongoing business requirements, the Company evaluates the risk associated with its underlying assets by constantly evaluating the economic conditions and relevant business risks. Without limitation, the Company's core objectives in managing capital include:

- to protect the Company's ability to function as a going concern
- to continue to provide value to the shareholders and other stakeholders
- to provide adequate return to shareholders by pricing its services appropriately
- to finance its operations properly in accordance with its growth strategies

The Company is subject to externally imposed capital requirements in the form of: fixed charge coverage and maximum senior leverage test ratios. Management reviews these ratios on a monthly basis to assess the ongoing status of its financial condition. These covenants are required to be tested quarterly.

Shareholders' Equity

Consistent with the aforementioned operating results, shareholders' equity decreased by 11% from YE'16.

Outstanding Share Data

As of the date of this MD&A, the following are the issued and outstanding shares, options and warrants of the Company.

Capital	Amount Authorized	Outstanding as at Q2'17	Outstanding as at Q2'16
Common Shares	Unlimited	28,247,406	23,247,406
Preferred Shares	Unlimited	-	-
Warrants	Unlimited	5,000,000	-
Options	Unlimited	858,333	1,426,000

The Company has entered into joint venture arrangements for the exclusive use of specific service equipment owned by certain related parties. The business rational for these arrangements was to secure an alternative source of financing for the Company. Under these agreements, the Company is responsible for the operation, maintenance and repair of the equipment after which the net proceeds (net of expenses) is split equally between the contacting parties. As of Q2'17, the Company's share of revenue and expenses was $305,786 (October 31, 2016 - $65,743) and $197,174 (October 31, 2016 - $101,983) respectively.

Contractual Obligations

Dalmac leases equipment and premises under long term operating leases. The leases for premises are exclusive of operating costs. Future minimum annual lease payments and management contractual obligations are listed as follows:

Lease Commitments		Within one Year	Two to Five Years	After Five Years	Total
Equipment	$	439,248	795,582	0	1,234,830
Premises	$	936,335	1,624,979	0	2,561,314
Management Contracts	$	141,871	673,888	0	815,759
Total	$	1,517,454	3,094,449	0	4,611,903

Risk Management
Detailed discussion about risk management, critical accounting estimates, and recent accounting pronouncements which were referenced in previous MD&A's are still valid and continue to apply but henceforth will only be addressed in the annual MD&A disclosure.

Credit risk: arises from the potential a counterparty will fail to perform its obligations. 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 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's maximum exposure is the value of its trade accounts receivable and cash, which at Q2'17, had a total carrying value of $3,774,468 (April 30, 2016 – 3,676,905). A significant portion (53%) of the outstanding accounts receivable at October 31, 2016 is due from three customers (April 30, 2016 – 37% from one customer). The Company considers customers to be significant when revenues from the account reach 10% of the company's revenue. The Company has three significant customers at October 31, 2016, that accounted for approximately 57% of the company's revenue for the period (July, 2015 – 58% from four customers).

Liquidity risk: is the potential inability to meet financial obligations as they come due. The Company manages this risk by maintaining detailed cash flow 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 had a working capital of $1.4 million as of Q2'17. The Company will be closely monitoring its liquidity position and its compliance with the financial covenants of the credit facility in the future.

Interest rate risk: The Company has a floating rate on 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 Q2'17, with other variables unchanged, an increase or decrease of 1% in the prime interest rate would impact the Company's net income by approximately $63,614.

Government Regulation
The oil and natural gas industry in Canada is subject to federal, provincial, and municipal legislation and regulation governing such matters as land tenure, prices, royalties, production rates, environmental protection controls, the exportation of crude oil, natural gas and other products, as well as other matters. The industry is also subject to regulation by governments relating to health and safety, the conduct of operations, the protection of the environment and the manufacture, management, transportation, storage and disposal of certain materials used in the Company's operations. Government regulations may change from time to time in response to economic, political or other conditions. The exercise of discretion by governmental authorities under existing regulations, the implementation of new regulations, or the modification of existing regulations affecting the crude oil and natural gas industry could reduce demand for the Company's services or increase its costs, either of which could have a material adverse impact on the Company.

Critical Accounting Estimates

Estimates and judgments are continually enhanced and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes judgments and estimates concerning the future. The resulting accounting estimate will, by definition, seldom equal the related actual results. The judgments and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are addressed below:

Leases

Management uses judgment in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards of ownership. Management evaluates the lease terms and determines appropriate classification of finance lease.

Impairment of Long-Lived Assets

An impairment loss is recognized when the amount of an asset or cash generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost to sell and the value in use. Management estimates expected future cash flows from each asset or cash generating unit when determining the value in use. Management makes assumptions about future operating results in the process of measuring expected future cash flows, which are based on future events and circumstances. Actual results may vary from those estimates and may cause significant adjustments to the Company's assets in following years.

Inventories

Inventories are measured at the lower of cost and net realizable value. Management uses the most reliable evidence available at the time in determining the net realizable values of the inventories. Allowances against slow moving, obsolete, and damaged inventories are recorded in each reporting period as required, based on management estimates.

Share-based compensation

The Company uses the Black-Scholes option pricing model for valuing its stock options to employees and directors at the date of issue.

Recent Accounting Pronouncements

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after April 30, 2016, and have not been applied in preparing these consolidated financial statements. The Company is in the process of assessing the impact of these standards.

IFRS 9, Financial Instruments; addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement categories for financial assets: amortized cost, fair value through OCI and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable opinion at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit of loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is yet to assess IFRS 9's full impact.

IFRS 15, Revenue from contracts with customers, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, Revenue, and IAS 11, Construction contracts, and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Company is assessing the impact of IFRS 15.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.
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We seek safe harbor.