



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) For the year ended April 30, 2017

This Management Discussion and Analysis ("MD&A") prepared August 28th, 2017 focuses on key statistics from the audited consolidated financial statements and notes thereto of Dalmac Energy Inc. for the year ended April 30th, 2017 ("YE'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.*

Overview

Dalmac is a diversified provider of well stimulation and fluid management services which include fluid transfers, hot oiling, vac units, frack heating, well acidizing, tank rentals and equipment moving. We are also a key distributor/supplier of glycol and methanol related products. With our headquarters in Edmonton and from our service locations in Warburg, Edson and Fox Creek, Dalmac's operations have been servicing the oil and gas industry of west central Alberta for over 60 years. Along with a current fleet of over 400 specialized service units we have master service agreements (MSAs) with most of North America's leading exploration and production companies. At present, approximately one third 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 the key E & P companies 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 fourth quarter of fiscal year 2017 is referred to as "Q4'17"; the year end is referenced as YE'17 and the "YTD" represents year to date.
- The same format applies to all other quarters and years
- Abbreviations for "Thousands" and "Millions" are represented by the letters "K" and "M"
- Percentages are rounded off to closest percent.

Selected Annual Information

The current period results are compared to the same period in the previous year except where otherwise noted.

FINANCIAL HIGHLIGHTS (000's Cdn Dollars, except per share data)	Q4'17	Q4'16	Change %	YTD '17	YTD '16	Change %
Revenues	5,500	4,422	24%	17,675	21,569	(18)%
Gross Margin %	30%	21%	44%	27%	23%	19%
EBITDAS (loss)	1,000	35	2730%	2,412	1,548	56%
Earnings (loss) before income tax	(74)	(907)	92%	(2,131)	(3,526)	40%
Net earnings (loss)	(224)	(778)	71%	(1,776)	(2,675)	34%
Earnings (loss) per share - basic	(0.01)	(0.03)	76%	(0.06)	(0.11)	45%
Earnings (loss) per share - diluted	(0.01)	(0.03)	76%	(0.06)	(0.11)	45%
Financial Position						
Total Equity	8,237	9,879	(17)%	8,237	9,879	(17)%
Total Assets	23,171	22,206	4%	23,171	22,206	4%
Weighted average number of shares						
Basic	28,298,406	23,298,406	21%	28,298,406	23,298,406	21%
Diluted	28,298,406	23,298,406	21%	28,298,406	23,298,406	21%

Reconciliation of EBITDAS to Historical Results (IFRS)

(000's Cdn Dollars)	Q4'17	Q4'16	Change %	YTD '17	YTD '16	Change %
Net income (loss)	(224)	(778)	71%	(1,776)	(2,675)	(34)%
Add:						
Income tax (recovery)	150	(129)	216%	(355)	(851)	58%
Interest on debt	245	166	48%	943	694	36%
Amortization	767	676	13%	2,758	2,989	(8)%
Loss (Gain) on sale of assets	44	105	(58)%	769	315	144%
Stock - based compensation	19	(5)	466%	74	31	138%
Asset impairment	0	0		0	1,044	
Sub-total	1,224	813	51%	4,188	4,223	(1)%
EBITDAS	1,000	35	2730%	2,412	1,548	56%

Business Highlights

- The fall and winter season of 2016-2017 showed significant improvement over the previous year. Activity beginning in October through March showed higher utilization, a broader mix of customers and services being delivered. Mid November – mid January witnessed a skilled labour crunch due to the industry labour displacement over the past 2 years. The drilling industry couldn't crew up in time – which created a lull in activity during this interval. Peak periods in the months of October, November, February and March saw all our available manpower deployed. We continue to add quality staff in small numbers as our workload permits. Rates, particularly in the Fox Creek area, began to rise slightly in the winter months as demand outstripped supply temporarily in February and March. Q4'17 revenue increased by 24% to \$5.5M while the gross margin increased by 44% on the quarter. The year to date revenues are down 18% from the previous year while the overall YTD EBITDAS increased by 56%.
- YTD revenue decreased by 18% to \$18M, however EBITDAS increased by 56% to \$2.4M. The increase was primarily driven by improvement in operational efficiencies within a lower the normal priced operating environment
- Out of town service providers were drawn back to other areas in Northern Alberta and BC coupled with the effect of competitors across the province going out of business in the year(s) previous resulted in the abatement of desperation pricing from competitors. The

net loss for the quarter was \$224K as compared to \$778K for the same period last year. The YTD loss was \$1.8M which marked a 34% improvement over last year

EXPENSES

(000's)	Q4'17	Q4'16	Change		YTD '17	YTD '16	Change	
			%				%	
Amortization	767	676	13%		2,758	2,989	(8)%	
Wages and Benefits	241	230	5%		740	1,285	(42)%	
Management salaries	151	158	(4)%		702	605	16%	
Interest	245	166	48%		943	694	36%	
Professional fees	30	114	(74)%		141	268	(47)%	
Travel and Automotive	62	46	34%		194	263	(26)%	
Stock based compensation	19	(5)	(466)%		74	31	138%	
Totals	1,516	1,385	9%		5,552	6,135	(10)%	

Consistent with our emphasis on cost savings and operational efficiencies, Dalmac focused its efforts on deploying assets to areas of higher utilization and better pricing, repairing equipment instead of replacing, purchasing additional assets at lower cost by taking advantage of depressed equipment pricing. Despite the 36% increase in interest fees, which was a result of higher financing costs, the overall expense costs over the course of the year came down 10%.

Income Taxes – For YE'17 the Corporation booked an income tax recovery of \$355K as a result of the losses incurred in the year.

Summary of Quarterly Results

(000's Cdn Dollars, except per share data)	Q4'17	Q3'17	Q2'17	Q1'16
	Quarter Ended 30-Apr-17	Quarter Ended 31-Jan-17	Quarter Ended 31-Oct-16	Quarter Ended 31-Jul-15
Revenue	5,500	4,326	4,097	3,752
Net income (loss)	(224)	(338)	(383)	(830)
Net income (loss) per share - basic	(0.01)	(0.01)	(0.01)	(0.03)
Net income (loss) per share - diluted	(0.01)	(0.01)	(0.01)	(0.03)

(000's Cdn Dollars, except per share data)	Q4'16	Q3'16	Q2'16	Q1'16
	Quarter Ended 30-Apr-16	Quarter Ended 31-Jan-16	Quarter Ended 31-Oct-15	Quarter Ended 31-Jul-15
Revenue	4,422	6,095	5,714	5,337
Net income (loss)	(1542)	(427)	(74)	(762)
Net income (loss) per share - basic	(0.07)	(0.02)	(0.00)	(0.03)
Net income (loss) per share - diluted	(0.07)	(0.02)	(0.00)	(0.03)

Rates in Q4'17 increased by about 30% over the same quarter last year, particularly in the Fox Creek area. The rates began to rise slightly in the winter months as demand outstripped supply temporarily in February and March. Many out of town service providers were drawn back to other areas in Northern Alberta and BC, as well as the effect of competitors across the province going out of business in the year(s) previous magnified the demand abating desperation pricing from our competitors. In our areas, we were seeing high demand for local lease and road construction services as well as access matting. Large amounts of pipelining and several new gas plants and pipeline terminals are being constructed in the Fox Creek area by companies such as Encana and Pembina Pipeline. Dalmac's Q4'16 began fourth quarter with healthy book of service related work only to be informed that much of the forecasted activity had to be postponed and rescheduled largely due to early spring break up conditions, forest fires and unseasonal rain. Quarterly revenue was down about 34% compared to same time last year. Dalmac continued to respond to the down turn by trimming costs and improving efficiencies. The net effect of our efforts are reflected in maintenance of our gross profit margin which increased 7% to 30% on a quarter to quarter comparison and increased 4% to 27% on a year to year basis. After allowing for an impairment of assets in the amount of \$1.0M in Q4'16, Dalmac had a net income loss of \$1.5M on the quarter and year end loss of \$2.7M.

Q3'17 began on a very favorable trend. By the second month of the quarter it was apparent that the supply chain logistics for the drilling and completions sector couldn't ramp up quick enough to meet the demand for their services. The main bottle neck was the availability of a seasoned and trained labour force. After two years of slumbering inactivity the staffing levels were coming off of all-time lows. This impairment resulted in delays to start dates for the primary provider which in turn resulted in pushing back the demand for secondary service providers such as Dalmac. What began as a good start for Dalmac, soon plateaued and didn't rebound until the second half of the third month of Q3'17

Outlook

During the first half of calendar year 2017, the average West Texas Intermediate price of oil was 6% higher than the prior year while the average Henry Hub natural gas price was 39% higher. In general, lower oil prices caused producers to significantly reduce their drilling budgets during the years of 2015 and 2016, which in turn decreased the demand for oilfield services, thus resulting in downward pricing pressure on rates which significantly depressed industry activity levels. With the support of improving commodity prices, we have been able to increase pricing across the majority our operations in during Q4'17 and Q1'18. Further pricing increases will be dependent on customer capital spending plans and the resulting demand for, drilling, fracing and completion activities which are directly tied to commodity prices.

Our activity through spring breakup and summer season remains relatively high, especially with more drilling, completions, production, construction and maintenance activity coming on stream in the foothills deep basin and Fox Creek areas. Dalmac robust safety programs and superior service allow us to price at the top of the market as we start to see shortages of equipment at peak times of the year. A reduction of competitors offering desperation pricing has been felt noticeably. With the increasing number of active rigs, and a backlog of maintenance programs, the industry will likely start to see a shortage of personnel to respond fully. This will continue at a more pronounced level this year, which should be supportive of rates, particularly this fall. We should expect to see our gross margin and EBITA continuing to increase as we enjoy the benefits of our compressed cost structure and an expanding demand.

Liquidity

(000's)	Q4'17	Q4'16	Change %	YTD '17	YTD '16	Change %
Cash flow from operating activities	981	35	2678%	2,412	1,548	56%
Changes in non-cash working capital	(1,245)	1,564	(180)%	(2,231)	1,695	(232)%
Investing activities	(250)	188	(233)%	(1,195)	(1,412)	(15)%
Financing activities	900	(1,042)	(186)%	548	(2,571)	(121)%
Cash and cash Equivalents	404	870	(54)%	404	870	(54)%

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)			Change
	Q4'17	Q4'16	%
Cash and cash Equivalents	404	870	(54)%
Accounts Receivable	5,598	2,807	99%
Accounts Payable	3,066	2,439	26%
Long Term Debt	797	296	169%
Working Capital	1,158	2,213	(48)%

The Company continues to generate funds from operations sufficient to meet its primary 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 out flows. As of YE'17 the Company was in a technical breach of its financing covenants. The senior lender has indicated that it was willing to amend the covenants to correct the breach but because the amendment did not occur prior to year end, IFRS standards require the Company to post the senior lender long term debt as current. Such an adjustment placed the working capital in a deficit position until the Q2'18 reporting period. Recording the reclassification of LTD to current would affect the working capital as follows:

(000's)			Change
	Q4'17	Q4'16	%
Working Capital	(6,813)	(6,499)	(5)%

Subsequent Developments

In August of 2017 Dalmac has executed a commitment on a financing facility from a top tier Canadian bank for a 3-year committed revolving credit facility for \$12M plus an uncommitted accordion agreement of an additional \$5M, for a total loan maximum of \$17M. and we anticipate having the new facility in place on or before the end of September 2017.

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 17% 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 Q4'17	Outstanding as at Q4'16
Common Shares	Unlimited	28,298,406	23,298,406
Preferred Shares	Unlimited	-	-
Warrants	-	5,000,000	-
Options	-	700,000	1,191,667
		33,998,406	24,490,073

Transactions with Related Entities

The Company has entered into transactions in the normal course of business with corporations controlled by some officers and or directors of the Company and corporations that have common ownership. These transactions were recorded at the exchange amount established and agreed to by the parties.

	Q4'17	Q4'16
Management and consulting Fees	132,226	158,671
Leased Premises	407,099	488,508
Rental/Equipment Operating Leases	515,541	415,044
Total	1,054,866	1,062,223

The Company has entered into joint venture arrangements for the exclusive use of specific service equipment owned by certain related parties as outlined in note 5 of the YE'17 financial statements. During the year, certain equipment with a net book value of \$404,587 was sold to PCS Ltd. (a Company owned by the President) as required by the agreement for the sub-ordinated unsecured loan described in note 10 of the YE'17 financial statements. The Company recorded a loss on disposal on these assets in the amount of \$166,492. Additionally, equipment with a net book value of \$71,269 was sold to 1991769 Alberta Ltd. (a Company owned by an employee). The Company recorded a loss on disposal in the amount of \$7,849. Also during the year, the Company exchanged an asset with a net book value of \$664,493 with PCS Ltd. and received in exchange an asset with a fair value of \$460,000 reporting a net loss on disposal in the amount of \$204,493. The business rationale for these arrangements was to secure an alternative source of financing for the Company. Under this agreement the Company is responsible for the operation, maintenance and repair of the equipment after which the net proceeds (net of expenses) is shared between the contacting parties. As of April 30, 2017, the Company's share of the net proceeds and expenses was \$876,042 and \$753,764 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:

<i>Lease Commitments</i>		Within one Year	Two to Five Years	After Five Years	Total
Equipment	\$	657,457	512,561	0	1,170,018
Premises	\$	844,056	1,065,784	0	1,909,840
Management Contracts	\$	141,871	283,742	0	425,613
Total	\$	1,643,384	1,862,087	0	3,505,471

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 hence forth 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, accounts receivable and investments. The Company manages this risk by holding its cash and investments 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 low. 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 objective evidence that credit related losses are incurred, taking into consideration all circumstances known at the date of review. The Company's maximum exposure is the value of its cash and trade accounts receivable, which as at April 30, 2017, had a total carrying value of \$6,001,397. A significant portion (39%) of the outstanding accounts receivable as at April 30, 2017 is due from 2 customers (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 3 significant customers that accounted for approximately 55% of the Company's revenue for the year (2016 – 72% from four customers). Management is not currently aware of any receivables that would need to be classified as uncollectable. Historically, bad debts as a percentage of revenue are less than 1%.

Liquidity risk: Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Company manages this risk by maintaining detailed cash flow forecasts for a year to ensure it has sufficient cash on hand to meet operational expenses, fund capital expenditure and service financial obligations. 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's current credit facility contains financial covenants that are based on fixed charge coverage and senior leverage ratios. As at April 30, 2017, the Company was in a technical breach of its credit facility agreement in respect of the fixed charge coverage ratio and the senior leverage ratio and as a result, IFRS rules require the Company treat all debt obligations under the agreement as current. At year-end 2017, the Company recorded a working capital deficit of \$6.8 million (2016 – \$6.5 million) mainly due to the credit facility of \$7.9 million being classified as a current liability. Subsequent to year-end, management has received and executed a financing commitment from another lender. On a going forward basis the Company continues to regularly monitor its liquidity position and its compliance with the financial covenants of its credit facility.

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, 2017, with other variables unchanged, an increase or decrease of 1% in the prime interest rate would impact the Company's net income by approximately \$79,711 (2016 – \$80,469).

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's 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, 2017, 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 IFRS 9 replaces the multiple classification and measurement models in IAS 39, Financial Instruments: Recognition and Measurement with a single model that has initially only two classification categories: amortized cost and fair value.

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortized cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest. All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognized at fair value. All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss). For financial liabilities that are measured under the fair value option, entities will need to recognize the part of the fair value change that is due to changes in their own credit risk in other comprehensive income rather than profit or loss. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. With these amendments, IFRS 9 is now complete. The changes introduce:

- a third measurement category (FVOCI) for certain financial assets that are debt instruments; and
- a new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment loss and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12-month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

The standard is effective for annual periods on or after January 1, 2018. The Company is in the process of evaluating the impact that the new standard may have on the financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. Entities will have a choice of full retrospective application, or a modified retrospective approach for the adoption. The new standard is effective for annual periods beginning.

IFRS 16, Leases

IFRS 16 was issued in January 2016. It will result in the recognition of almost all leases on the balance sheet, as the distinction between operating and financing leases is removed. Under the new standard an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting by lessors will not significantly change. The new standard is effective for annual periods beginning on or after January 1, 2019. The Company is in the process of evaluating the impact that the new standard may have on the financial statements. 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.

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.

For further information, please contact:

John Babic, President & CEO

Telephone: 780-988-8510

Facsimile: 780-988-8512

E-mail: info@dalmacenergy.com

We seek safe harbor.