

December 23, 2019

Dalmac Energy Reports First Quarter "Q2'20" Financial Results

Edmonton, Alberta – John Babic, President and CEO of Dalmac Energy Inc. ("Dalmac") (TSX Venture "DAL") announces the second quarter and six-month results for the period ended October 31, 2019.

FINANCIAL HIGHLIGHTS

(000's Cdn Dollars, except per share data)	Q2'20	Q2'19	YTD '20	YTD'19
Revenues	3,007	4,675	6,633	8,604
Gross Profit	923	1,356	2,866	1,981
Gross Margin (%)	31%	29%	31%	23%
EBITDAS (loss)	351	629	910	629
Net earnings (loss)	(1,160)	(319)	(1,956)	(1,425)
Earnings (loss) per share - basic	(0.04)	(0.01)	(0.07)	(0.01)
Earnings (loss) per share - diluted	(0.04)	(0.01)	(0.07)	(0.01)

Highlights for Q2'20

- An unseasonably wet summer continued into Q2 and further delayed the start of many projects. Activity in certain regions of Alberta came to a complete halt due to wet and muddy conditions, which is uncommon for Q2. Customer activity has been, and will continue to be, a significant impact on company performance.
- Even with the new production contracts with additional customers which was announced in Q1 wasn't enough to offset the impact of the weather.
- Revenues are down about \$1.6M from the same period last year. Sustained efforts on lowering operating costs and the capitalization of the right of use assets contributed to a YTD gross profit margin of 31% vs 23% at the same period last year.
- EBITDA was impacted by the decreasing revenue drop in Q2 however the YTD EBITDA was up 64% compared to the same period last year.
- Amortization has increased by 268 from Q2'20 and Q2'19 of which \$225k of the increase is related to right-of-use asset amortization
- Loss on disposal increased by \$217k in Q2'20 from Q2'19. The Corporation continues to assess potential equipment for sale to reduce debt exposure.

Outlook

The oil and natural gas industry in western Canada has been impacted by a series of macro-economic factors. These macro-economic factors include pipeline constraints, which have contributed to significant discounts in the market price for the oil produced in western Canada compared with other jurisdictions, as well as rising carbon taxes and increasing regulatory requirements to achieve government approvals for large industrial projects. In addition, in the last quarter of 2018, the Government of Alberta announced curtailments of oil production to help combat the significant discount in Western Canadian Select (WCS) oil prices.

The downward pricing momentum experienced at the end of 2018, along with activity being restricted by limited takeaway capacity and production curtailments, has resulted in oil and gas companies reducing their budgeted capital expenditures and drilling programs for 2019.

Looking ahead to 2020, we remain optimistic on western Canada given that some of our major customers have indicated that they are increasing their capital spending levels in the Duvernay for 2020. We are also optimistic about the impact that LNG Canada's \$40 billion liquefied natural gas (LNG) project in Kitimat, B.C. will have on our industry as well as the natural gas sector in north-west Alberta and north-east B.C., which will be required to support LNG Canada's natural gas needs. In addition, we look forward to construction of the Trans Mountain pipeline which is finally proceeding as approved. This coupled with Enbridge line 3, which is scheduled to come on line sometime in 2020, will provide the necessary additional takeaway capacity for western Canadian crude oil and bring back much needed investor confidence in the Alberta resource sector.

Dalmac will continue to drive cost reductions through the Company to assist in offsetting any pricing pressures and reduced activity. With the diversification of the Company's services, streamlining of our operations and cash management measures, management is confident in the Company's ability to navigate in a difficult and price sensitive environment. Dalmac continues to focus on cost reductions and spending controls while striving towards maximizing profitability and optimizing efficiencies over the course of the ongoing year.

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