



THIRD QUARTER REPORT

Q3 2003

For the Nine months ended September 30, 2003

Third Quarter 2003 Highlights

- Production averaged 1,245 boe/d up 777% from third quarter 2002 production of 142 boe/d.
- Drilling for the three months ended September 30, 2003 resulted in six gross (4.4 net) wells drilled for a success rate of 100%.
- Murias Energy Corporation acquisition closed September 15, for \$1.9 million. The property is expected to produce approximately 125 boe/d.
- Cash flow from operations was \$1.44 million (\$0.06 per share basic) compared to \$0.20 million (\$0.02 per share basic) in the third quarter of 2002 as a result of higher production and higher natural gas prices.
- Loss was \$0.28 million (\$(0.01) per share basic) compared to \$(0.08) million (\$(0.01) per share basic) in the third quarter of 2002.
- Current production levels are approximately 1,600 boe/d with an additional 150 boe/d expected to be brought on-stream before the end of 2003.

Financial Results and Share Information

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Financial Results				
(\$ thousands except per share amounts)				
Gross petroleum and natural gas sales	3,723	368	9,376	1,208
Cash flow from operations	1,441	207	4,741	328
Per share - Basic	0.06	0.02	0.23	0.03
- Diluted	0.06	0.02	0.22	0.03
Earnings (loss)	(283)	(78)	1,060	(3,338)
Per share - Basic	(0.01)	(0.01)	0.05	(0.35)
- Diluted	(0.01)	(0.01)	0.05	(0.35)
Capital investments	5,029	332	20,260	6,667
Net working capital surplus (deficit)	(8,685)	3,307	(8,685)	3,307
Shareholders' equity	24,795	13,589	24,795	13,589
Total assets	40,331	14,670	40,331	14,670
Share Information (thousands)				
Shares outstanding				
Basic	23,288	11,878	23,288	11,878
Diluted	25,151	11,878	25,151	11,878
Weighted average shares outstanding				
Basic	22,992	10,355	20,984	9,639
Diluted	23,098	10,355	21,155	9,639

Message to our Shareholders

The transformation into Delphi Energy Corp. on June 19, 2003 through the merger of DT Energy Ltd. and Rise Energy Ltd. was completed during the third quarter of 2003, with an effective and efficient integration of assets, staff, and systems.

Significant growth has been achieved over the past year through a combination of strategic acquisitions and a capital program focused primarily on development activities within the Company's core areas of operation. Production volumes calculated on a per fully diluted share basis during the third quarter of 2003 increased 314% over the comparative period ended September 30, 2002.

The third quarter of 2003 was highlighted by an active capital program with the drilling of six gross (4.4 net) wells and the closing on September 15, 2003 of the acquisition of Murias Energy Corporation. The Company incurred approximately \$5.0 million in capital expenditures during the third quarter of 2003 with approximately 50% attributable to the acquisition of Murias Energy Corporation. The Company focused most of the remainder of its capital program during the third quarter on drilling and recompletion projects in east central Alberta. The Company drilled 6 gross wells (4.4 net wells) during the first half of the year resulting in four gas wells and two (0.4 net) oil wells. Production from these wells is expected to commence during the fourth quarter of 2003 adding approximately 150 barrels per day of oil equivalent.

Technical work was completed during the third quarter of 2003 in preparation for an active natural gas winter capital program in the Fontas and Berland River areas of northwest Alberta. In the Fontas area, the Company anticipates spending approximately \$4.0 million on drilling (10 to 15 gross wells), as well as several workover and pipeline projects, and one compression project. In Berland River the Company plans to spend approximately \$1.5 million. As part of the exploration joint venture program, the Company is participating in two exploration wells, one of which, (ECA ECOG Berland River 10-22-58-25W5M) has commenced drilling. In early December, Delphi is expected to commence operations to re-enter Delphi et al WROE 2-30-56-25W5, targeting Cretaceous sweet natural gas. In addition the Company expects the 15-1-57-26W5 Leduc natural gas well to be tied-in and on production in January 2004.

On October 31, 2003 the Company closed the acquisition of Fish Creek Resources Inc. adding approximately 160 barrels of oil equivalent per day of production to its east central Alberta core area. East central Alberta represents approximately 50% of the Company's production base and is the focus of our summer and fall capital programs. Significant growth opportunities including development drilling, and well and facility optimization will continue to deliver production and cash flow growth from this area over the next several years.

Delphi Energy Corp. remains committed to implementing its strategic plan of per share growth and value creation. Long-term sustainable growth is projected through our large inventory of development opportunities, a successful acquisition strategy, and exposure to an exciting exploration program.

Respectfully submitted on behalf of the Board of Directors

David J. Reid
President and Chief Executive Officer
November 26, 2003

FORWARD LOOKING STATEMENTS

Certain information regarding the Company contained herein may constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking statements may include estimates, plans, expectations, opinions, forecasts, projections, guidance or other statements that are not statements of fact. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. These statements are subject to certain risks and uncertainties and may be based on assumptions that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

Management's Discussion and Analysis

Management's discussion and analysis of the Company's financial condition and results of operations is a review of the third quarter of 2003 activities and results as compared to the previous year. Comments also relate to and should be read in conjunction with the unaudited consolidated financial statements of the Company for the nine months ended September 30, 2003 and the audited financial statements and management's discussion and analysis for the year ended December 31, 2002, which are included in the Company's annual report for the year ended December 31, 2002. The discussion is intended to provide both a historical and prospective analysis of the Company's activities. Estimates are based on assumptions of future events and are subject to change.

Management's discussion and analysis contains the term cash flow from operations, which should not be considered an alternative to, or more meaningful than cash flow from operating activities as determined in accordance with Canadian generally accepted accounting principles ("GAAP") as an indicator of the Company's performance. Delphi's determination of cash flow from operations may not be comparable to that reported by other companies. The reconciliation between net earnings and cash flow from operations can be found in the consolidated statements of cash flows in the unaudited interim financial statements. The Company also presents cash flow from operations per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of earnings per share.

On September 15, 2003, Delphi, acquired all of the issued and outstanding shares of Murias Energy Corporation ("Murias"). The Company issued 358,000 common shares at a value of \$550,962 and cash totaling \$1,300,000 to the shareholders of Murias. All numbers reported include Delphi's wholly-owned subsidiary, Murias, from September 15, 2003 onwards.

Per barrel of oil equivalent ("boe") amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil.

Production

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Natural gas (mcf/d)	5,779	601	4,891	707
Crude oil (bbl/d)	244	7	84	7
Natural gas liquids (bbl/d)	38	35	29	38
Total (boe/d)	1,245	142	928	163

For the three months ended September 30, 2003 Delphi increased production 777% to average 1,245 boe/d compared to 142 boe/d for the same period in 2002. This increase is primarily a result of corporate and property acquisitions closed during the nine months ended September 30, 2003, combined with successful development activities on acquired assets. Third quarter production increased 43% when compared with the second quarter of 2003 due to a successful re-entry in Hayter and a full quarter of production from wells acquired from Rise Energy Ltd. ("Rise").

Natural gas production increased 862% to 5.8 mmcf/d during the three months ended September 30, 2003 compared to 0.6 mmcf/d for the same period in 2002. Natural gas production increased 14% over the 5.1 mmcf/d reported in the second quarter of 2003. This increase in natural gas production is largely due to the asset acquisition at Fontas, which closed late in the fourth quarter of 2002, and the subsequent successful development program in the area during the first quarter of 2003. Four natural gas wells and two oil wells (0.4

net) drilled in the third quarter are expected to be tied-in and brought on stream by the end of December, adding approximately 150 boe/d.

Crude oil and liquids production was 571% higher in the third quarter of 2003 averaging 282 bbl/d compared to 42 bbl/d in the third quarter of 2002. The increase is primarily due to the effect of the amalgamation with Rise and the acquisition of Murias.

Revenue

(\$ thousands)	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Natural gas	3,095	189	8,553	742
Crude oil	605	24	628	67
Natural gas liquids	23	155	195	399
Total	3,723	368	9,376	1,208

For the three months ended September 30, 2003, total revenue increased 912% compared to the same period in 2002. Most of the increase in total revenue is attributable to natural gas, which increased 1,538% to \$3.1 million, due to higher commodity pricing and increased production. Natural gas revenues remained relatively stable from the \$3.0 million reported in the second quarter of 2003 due to increased production offset by lower commodity prices. Crude oil revenue increased 242% to \$0.6 million in the third quarter of 2003 from \$0.02 million in the same period in 2002. The increase in oil revenue is due to a 127% increase in production, offset by a 27% decrease in commodity prices. Included in the third quarter oil revenue is a \$0.09 million hedging charge. Crude oil revenue in the third quarter of 2003 increased 540%, as compared to the second quarter of 2003 as a result of increased production. Natural gas liquids revenue for the three months ended September 30, 2003 decreased 85% to \$0.02 million from the \$0.2 million for the same period of 2002. Included in the third quarter liquids revenue is a \$(0.1) million charge due to reallocation of prior years' volumes.

Commodity Pricing

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Natural gas (\$/mcf)	5.82	3.41	6.41	3.94
Crude oil, before hedging (\$/bbl)	30.63	37.75	30.77	33.79
Hedging settlements	(3.69)	-	(3.55)	-
Crude oil, after hedging (\$/bbl)	26.94	37.75	27.22	33.79
Natural gas liquids (\$/bbl)	36.69	48.04	38.20	38.61
Adjustment – reallocation	(30.10)	-	(13.28)	-
Natural gas liquids, after adjustment (\$/bbl)	6.59	48.04	24.92	33.61

Prices for natural gas in the third quarter of 2003 increased 71% from those reported in the second quarter of 2002, averaging \$5.82 per mcf compared to \$3.41 per mcf in the same period of 2002, and decreased 11%

from the \$6.56 per mcf in the second quarter of 2003. The Company is estimating its 2003 natural gas pricing to average \$6.00 per mcf.

The Company's crude oil price for the third quarter of 2003 was reduced for the effects of a commodity price hedging charge of \$0.08 million. The oil hedge contract expired on September 30, 2003. The Company is estimating its crude oil and liquids prices to average \$27.00 Cdn. for 2003.

Royalties

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
(\$ thousands except per boe amounts)				
Crown	827	(31)	2,120	293
Freehold and overriding	172	15	219	81
Total royalties	999	(16)	2,339	374
Royalty credits	(90)	(27)	(63)	(83)
Net royalties	909	(43)	2,276	291
Per boe	7.94	3.29	8.98	6.52
Percent of total revenue	24.4%	(11.7)%	24.3%	24.1%

For the three months ended September 30, 2003, royalty expense increased substantially compared to the same quarter of 2002, as a result of a correction of a billing error from the first quarter of 2002. Royalty rates increased 4% in the third quarter of 2003 compared to the same quarter of 2002 primarily as a result of higher commodity prices. Alberta Royalty Tax Credit ("ARTC") of \$0.09 million recognized in the third quarter reflects some year to date adjustments for eligible wells not previously applied for. During the nine months ended September 30, 2003 ARTC was reduced \$(0.03) million resulting from a claw back of ARTC on restricted wells. The Company is estimating the 2003 royalty rate to average 23%.

Operating Expenses

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
(\$ thousands except per boe amounts)				
Total operating costs	941	90	1,709	211
Per boe	8.22	6.87	6.74	4.75
Percent of total revenue	25.3%	24.5%	18.2%	17.5%

Operating expenses increased 945% in the third quarter of 2003 compared to the same quarter in 2002 primarily due to an increase in production and ownership of additional facilities in Fontas. On a per boe basis operating costs have increased 20% over the third quarter 2002. Third quarter 2003 expenses increased by 23% over second quarter 2003, due to higher production and higher operating cost areas acquired from Rise.

It is anticipated that increased production and improved operational efficiencies in the Company's core areas will reduce overall unit operating expenses, and as a result, we anticipate full year 2004 costs to range from \$7.25 to \$7.75 per boe.

General and Administrative

	Three Months Ended September 30		Nine Months Ended September 30	
(\$ thousands except per boe amounts)	2003	2002	2003	2002
General and administrative costs	448	133	773	422
Overhead recoveries	(136)	-	(136)	-
Salary reallocations	(99)	-	(202)	-
Net	213	133	435	422
Per boe	1.86	10.16	1.72	9.49

General and administrative costs ("G&A") for the third quarter of 2003 were higher than 2002 second quarter costs due to additional staff and higher office rent expenses. Overhead recoveries increased in the third quarter of 2003 due to the acquisition of operated areas in the Rise amalgamation.

The Company is not anticipating any large G&A costs in the last quarter of the year and as a result G&A expenses are expected to be less than \$1.3 million (net) in 2003.

Interest

	Three Months Ended September 30		Nine Months Ended September 30	
(\$ thousands)	2003	2002	2003	2002
Financing	73	(22)	104	(40)
Other	116	-	72	(3)
Total Interest	189	(22)	176	(43)

Compared to a year ago, third quarter interest expenses increased primarily as a result of higher debt levels and higher interest rates in the third quarter of 2003. Included in the third quarter interest expense is \$75,000 for part XII.6 tax payable to the federal government on the Company's flow-through program, as well as a \$15,000 commitment fee associated with the increase in the Company's bank line.

Depletion and Depreciation

	Three Months Ended September 30		Nine Months Ended September 30	
(\$ thousands except per boe amounts)	2003	2002	2003	2002
Depletion and depreciation	1,493	321	2,814	5,887
Provision for site restoration	104	-	123	-
Total	1,597	321	2,937	5,887
Per boe	13.94	24.53	11.59	132.35

Compared to third quarter 2002, depletion and depreciation in the third quarter of 2003 increased by \$1.3 million. The increase is primarily due to increased production and a higher capital base. Included in the current quarter expense is an adjustment for June 30, 2003 depletion of \$0.3 million resulting from a revision in estimates. The Company recorded a ceiling test writedown of \$4.9 million at March 31, 2002, which is included in the nine month ended September 2002 depletion and depreciation.

Income Taxes

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
(\$ thousands)				
Current	30	-	39	-
Future (recovery)	128	(36)	744	(2,222)
Total income taxes	158	(36)	783	(2,222)

Future income tax expense for the third quarter, \$0.13 million, has increased in comparison to the same period for 2002, as a result of higher operating revenue offset by reductions in federal income tax rates. Current taxes in the third quarter of 2003 represent a provision for large corporations tax.

Netback Analysis

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Barrels of oil equivalent (\$/boe, except daily production)				
Daily production (boe/d)	1,245	142	928	163
Sales price, after hedging	32.51	28.13	37.00	27.16
Royalties	(7.94)	3.29	(8.98)	(6.52)
Operating expenses	(8.22)	(6.87)	(6.74)	(4.75)
Netback	16.35	24.55	21.28	15.89

Cash Flow and Net Earnings

	Three Months Ended September 30				Nine Months Ended September 30			
	2003		2002		2003		2002	
(\$ thousands except per boe amounts)	Total	Per boe	Total	Per boe	Total	Per boe	Total	Per boe
Production revenue	3,723	32.51	368	28.13	9,376	37.00	1,208	27.16
Royalties, net of ARTC	909	7.94	(43)	3.29	2,276	8.98	291	6.52
Net revenue	2,814	24.57	411	24.84	7,100	28.02	917	20.64
Operating expenses	941	8.22	90	6.87	1,709	6.74	211	4.75
Net operating income	1,873	16.35	321	17.97	5,391	21.28	706	15.89
General & administrative	213	1.86	133	10.16	435	1.72	422	9.49
Interest (income)	189	1.65	(22)	(1.42)	176	0.69	(43)	(0.97)
Current income taxes	30	0.26	-	-	39	0.15	-	-
Funds from operations	1,441	13.03	207	15.82	4,741	18.71	328	7.36
Depletion & depreciation	1,492	13.03	321	24.53	2,814	11.10	5,887	132.35
Site restoration expense	104	0.91	-	-	123	0.49	-	-
Future income taxes (recovery)	128	1.12	(36)	(2.75)	744	2.94	(2,222)	(49.95)
Net earnings (loss)	(283)	(2.47)	(78)	(5.96)	1,060	4.18	(3,338)	(75.04)

Liquidity and Capital Resources

Total Capitalization

As at (\$ thousands except share amounts)	September 2003
Common shares outstanding	23,287,634
Share price (end of period)	1.64
Market value of common shares	38,191,720
Net working capital deficit	8,685,326
Future site restoration	407,586
Future income tax liability	2,616,522
Total capitalization	49,901,154
Net (cash) debt as a % of capitalization	17.4%

As at September 30, 2003, the Company had outstanding on its credit facility, \$5.5 million and a working capital deficit of \$3.1 million, totaling \$8.6 million. Delphi's bank credit facilities were \$8.0 million at September 30, 2003 but were increased to \$11.0 million effective November 2003. Based on the Company's expected 2003 cash flow and its existing bank facilities, Delphi has adequate internal financial resources to fund its 2003 remaining capital program.

Drilling Results

	Three Months Ended September 2003		Nine Month Ended September 2003	
	Gross	Net	Gross	Net
Natural gas wells	4.0	4.0	7.0	5.4
Oil wells	2.0	0.4	2.0	0.4
Dry holes	0	0	3.0	0.3
Total wells	6.0	4.4	12.0	6.1
Success rate (%)	100%	100%	75%	96%

Capital Invested

(\$ thousands)	Three Months Ended September 30		Nine Month Ended September 30	
	2003	2002	2003	2002
Land	28	6	244	602
Seismic	38	25	463	0
Drilling and completions	2,095	4,287	4,492	8,091
Equipping and facilities	116	1,472	1,946	879
Property acquisitions	2,611	513	12,868	-
Capitalized expenses	99	-	202	11
Other	42	32	46	48
Total	5,029	6,335	20,261	9,632

During the third quarter of 2003, Delphi drilled six wells (4.4 net), for an overall success rate of 100%. In the Company's core region of Provost, four natural gas wells (4.0 net) were drilled with 100% success. During the quarter two wells (0.4 net) were drilled in Crossfield, resulting in two oil wells (0.4 net). The majority of these wells will be on production in 2003.

Just over half of the quarter's spending was directed towards acquisition activity and a further 42% was spent on drilling and completions. Of the total capital invested in the third quarter, 52% was for the Murias acquisition and 38% was spent in Provost and Crossfield.

DELPHI ENERGY CORP.

Consolidated Balance Sheets

	September 30, 2003	December 31, 2002
Assets		
Current assets:		
Cash	\$ -	\$ 1,595,103
Accounts receivable	3,664,707	851,282
Prepaid expenses	162,257	39,982
	3,826,964	2,486,367
Property, plant and equipment (Note 4)	36,504,160	19,097,949
	\$ 40,331,124	\$ 21,584,316
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (Note 5)	\$ 6,025,676	\$ -
Accounts payable and accrued liabilities	6,486,614	1,734,227
	\$ 12,512,290	\$ 1,734,227
Future income tax liability (Note 6)	2,616,522	1,076,312
Future site restoration costs	407,586	17,280
Shareholders' equity:		
Share capital (Note 7)	27,025,342	22,046,966
Deficit	(2,230,616)	(3,290,469)
	\$ 24,794,726	\$ 18,756,497
	\$ 40,331,124	\$ 21,584,316
Subsequent event – Note 9		

See accompanying notes to financial statements.

DELPHI ENERGY CORP.

Consolidated Statements of Earnings and Deficit
(Unaudited)

	Three Months Ended Sept. 30		Nine Months Ended Sept. 30	
	2003	2002	2003	2002
Revenue:				
Petroleum and natural gas sales	\$ 3,723,200	\$ 368,225	\$ 9,375,778	\$ 1,207,918
Royalties (net of Alberta Royalty Tax Credit)	909,021	(43,061)	2,275,647	290,317
	\$ 2,814,179	\$ 411,286	\$ 7,100,131	\$ 917,601
Expenses:				
Operating	941,337	89,895	1,708,953	211,121
General and administrative	212,937	136,306	435,038	422,186
Interest (income)	188,986	(21,778)	175,895	(43,245)
Depletion and depreciation	1,596,723	320,905	2,937,155	5,886,739
	\$ 2,939,983	\$ 525,328	\$ 5,257,041	\$ 6,476,801
Income (loss) before taxes	\$ (125,804)	\$ (114,042)	\$ 1,843,090	\$ (5,559,200)
Taxes:				
Current capital taxes	29,741	-	38,976	-
Future income taxes (recovery)	127,849	(36,000)	744,261	(2,221,573)
	\$ 157,590	\$ (36,000)	\$ 783,237	\$ (2,221,573)
Net earnings (loss)	\$ (283,394)	\$ (78,042)	\$ 1,059,853	\$ (3,337,627)
Deficit, beginning of period	(1,947,222)	(3,299,715)	(3,290,469)	(40,130)
Deficit, end of period	\$ (2,230,616)	\$ (3,377,757)	\$ (2,230,616)	\$ (3,377,757)
Net earnings (loss) per Common Share: (Note 7(d))				
Basic	(0.01)	(0.01)	0.05	(0.35)
Diluted	(0.01)	(0.01)	0.05	(0.35)

See accompanying notes to financial statements.

DELPHI ENERGY CORP.

Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended Sept. 30		Nine Months Ended Sept. 30	
	2003	2002	2003	2002
Cash provided by (used in):				
Operations:				
Net earnings (loss)	\$ (283,394)	\$ (78,042)	\$ 1,059,853	\$ (3,337,627)
Add non-cash items:				
Depletion and depreciation	1,596,723	320,905	2,937,155	5,886,739
Future income taxes (recovery)	127,849	(36,000)	744,261	(2,221,573)
Funds from operations	\$ 1,441,178	\$ 206,863	\$ 4,741,269	\$ 327,539
Change in non-cash working capital	248,768	174,709	277,529	(319,642)
	\$ 1,689,946	\$ 381,572	\$ 5,019,798	\$ 7,897
Financing:				
Issue of shares, net of share issue costs	(45,498)	3,098,162	1,542,059	3,098,177
Increase in bank indebtedness	2,181,856	-	4,100,676	-
	\$ 2,136,358	\$ 3,098,162	\$ 5,642,735	\$ 3,098,177
Investing:				
Property, plant and equipment additions	(2,506,019)	(332,109)	(10,816,676)	(6,667,177)
Cash paid for business acquisitions	(1,320,286)	-	(1,439,960)	-
	\$ (3,826,305)	\$ (332,109)	\$ (12,256,636)	\$ (6,667,234)
Increase (decrease) in cash	-	3,147,625	(1,595,103)	(3,561,160)
Cash, beginning of period	-	566,645	1,595,103	7,275,430
Cash, end of period	\$ -	\$ 3,714,270	\$ -	\$ 3,714,270
Cash interest paid (received)	113,986	(21,778)	100,895	(43,245)
Cash taxes paid	-	-	20,235	-

See accompanying notes to financial statements.

DELPHI ENERGY CORP.

Selected Notes to Consolidated Financial Statements

As at and for the three and nine months ended September 30, 2003 (unaudited) and December 31, 2002 (audited)

General

The interim consolidated financial statements of Delphi Energy Corp. have been prepared by management in accordance with accounting principles generally accepted in Canada. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results may differ from these estimates.

DT Energy Ltd. ("DT"), a private company engaged in oil and gas exploration and development, merged with Rise Energy Ltd. ("Rise"), a public company engaged in oil and gas exploration and development, effective June 19, 2003 and continued as Delphi Energy Corp. ("Delphi" or the "Company"), a public company. Reference should be made to the Arrangement Agreement, dated March 18, 2003, and Amended Arrangement Agreement, dated April 30, 2003. Following completion of the arrangement, previous shareholders and special warrant holders of DT held approximately 87.5% of the common shares of the Company. Accordingly, the combination has been treated as a reverse take-over of Rise by DT.

As part of the plan of arrangement, the shares of DT were consolidated and these financial statements reflect this consolidation. The purchase price is based on the estimated fair value of Rise's net assets. The following table shows the cost of the purchase as at June 19, 2003.

Allocated:		
Property and equipment	\$	6,880,658
Working capital deficiency		(1,668,449)
Revolving production loan		(1,725,000)
Future site restoration costs		(236,999)
Future income taxes		(360,000)
	\$	2,890,210
Purchase price:		
Share consideration (20,067,920 shares)	\$	2,720,705
Warrant consideration (146,250 warrants)		49,831
Estimated acquisition costs		119,674
	\$	2,890,210

On September 15, 2003 the Company acquired 100% of Murias Energy Corporation (“Murias”). As more fully described in note 2, the consolidated financial statements reflect the historical accounts of the Company together with the accounts of Murias from the effective date of the acquisition.

Note 1: SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary from the date of acquisition.

(b) Petroleum and natural gas operations:

The Company follows the full cost method of accounting whereby all costs associated with the acquisition of, exploration for and development of petroleum and natural gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical costs, lease rental costs on undeveloped properties, drilling both productive and unproductive wells, production equipment and overhead charges directly related to these activities. Proceeds received from disposal of petroleum and natural gas properties are credited to capitalized costs unless the rate of depletion and depreciation would be altered by more than 20 percent, in which case, a gain or loss on disposal is recorded.

All capitalized costs and future development costs on proved reserves, less the costs of undeveloped properties, are depleted and depreciated using the unit-of-production method based on total net proved reserves as determined annually by independent engineers and updated by management during interim periods. Depreciation is provided on furniture and fixtures and office equipment on a straight-line basis using a range of between two and five years.

Costs of unproved properties are initially excluded from petroleum and natural gas properties for the purpose of calculating depletion. These unproved properties are assessed periodically to ascertain whether impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion.

At period end, capitalized costs, net of the provision for site restoration costs and future income taxes, are limited to the aggregate of estimated future net revenues from proved reserves, using period end prices and costs, net of estimated future site restoration, general and administrative, financing costs and income taxes, plus the unimpaired cost of undeveloped properties. Write-downs of petroleum and natural gas properties as a result of applying this cost recovery test are charged to earnings.

(c) Future site restoration costs:

A provision for estimated future site restoration costs for petroleum and natural gas properties is provided using the unit-of-production method. Costs are based on the Company’s engineering estimates considering current regulations, costs, technology and industry standards. The provision is included in depletion and depreciation expense and actual site restoration costs are charged to the accumulated provision as incurred.

(d) Future income taxes:

The Company follows the tax liability method of accounting for income taxes. Under this method, estimated future income tax liabilities and assets are recognized based on the tax effects of differences between net costs of assets reported in the financial statements and their respective tax bases, using enacted or substantively enacted income tax rates. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs.

(e) Per share information:

Per share amounts are calculated on the basis of the weighted average number of common shares outstanding during the fiscal year. Diluted per share information reflects the potential dilution that could occur if securities or other contracts to issue common share were exercised or converted to common shares. Diluted per share information is calculated using the treasury stock method that assumes any proceeds received by the Company upon the exercise of in-the-money stock options would be used to buy back common shares at the average market price for the period.

(f) Flow-through shares:

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. To recognize the foregone tax benefits to the Company, the future income tax liability and share capital are adjusted by the estimated cost of the renounced tax deduction when the shares are issued.

(g) Joint venture accounting:

A portion of the Company's exploration, development and production activities are conducted jointly with others and the financial statements reflect the Company's proportionate interest in such activities.

(h) Stock-based compensation:

No expense is recognized in the financial statements for share options granted to employees or directors when the options are issued at market value. Consideration paid by directors, officers and employees on the exercise of stock options under the stock option plan is recorded as share capital.

Note 2: BUSINESS ACQUISITION

On September 15, 2003, the Company acquired all of the issued and outstanding shares of Murias Energy Corporation, ("Murias"), a private company involved in the exploration, development and production of oil and natural gas. The consideration paid was \$1,300,000 cash and the issuance of 358,000 common shares of the Company. The value of the transaction, based on an adjusted average of closing prices of Delphi of \$1.54, was \$1,880,962. The transaction was accounted for using the purchase method. The consolidated accounts of the Company include the results of Murias from the closing date, September 15, 2003.

Allocated:

Cash	\$	9,714
Working capital		129,291
Capital assets		2,522,725
Operating loan		(200,000)
Future Income tax liability		(550,768)
Future site restoration costs		(30,000)
	\$	1,880,962

Purchase Price:

Cash	\$	1,300,000
Shares issued (358,000 shares)		550,962
Transaction costs		30,000
	\$	1,880,962

Note 3: CHANGE IN ESTIMATES

Results for the three months ended September 30, 2003 include cumulative revisions of estimates for 2003 related to depletion and depreciation and future income taxes.

Note 4: PROPERTY, PLANT AND EQUIPMENT

September 30, 2003	Cost	Depletion And Depreciation	Accumulated Net book value
Petroleum and natural gas properties	\$ 37,862,553	\$ 8,686,868	\$ 29,175,685
Production equipment	7,692,114	477,051	7,215,063
Furniture, fixtures and office equipment	231,936	118,524	113,412
	\$ 45,786,603	\$ 9,282,443	\$ 36,504,160
<hr/>			
December 31, 2002			
Petroleum and natural gas properties	\$ 21,424,211	\$ 6,222,552	\$ 15,201,659
Production equipment	4,015,752	154,932	3,860,820
Furniture, fixtures and office equipment	86,052	50,582	35,470
	\$ 25,526,015	\$ 6,428,066	\$ 19,097,949

At September 30, 2003, petroleum and natural gas properties included approximately \$2.9 million (December 31, 2002 - \$670,000) relating to the cost of properties that have been excluded from the depletion and depreciation calculation.

During the three and nine months ended September 30, 2003, the Company capitalized \$99,119 and \$202,214, respectively (2002 - \$nil), of general and administrative costs directly related to exploration and development activities.

Note 5: INDEBTEDNESS**Bank Facility**

The Company has a financing commitment with a Canadian chartered bank for a demand credit facility in the amount of \$11.0 million. The facility bears interest at bank prime rate plus 0.25% payable monthly and is secured by a \$35.0 million demand floating charge debenture and a general security agreement.

The facilities are subject to a semi-annual review. The next review is to be undertaken before February 1, 2004. This review includes a borrowing base re-determination and a full assessment of the Company's financial position and operations.

Note 6: INCOME TAXES**(a) Future Income Taxes:**

The provision for income taxes in the financial statements differs from the result that would have been obtained by applying the combined federal and provincial tax rates to the Company's net earnings before income taxes.

The difference results from the following items:

	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2003
Earnings (loss) before income taxes	\$ (125,804)	\$ 1,843,090
Statutory tax rate	40.62%	40.62%
Expected income tax expense (recovery)	(51,102)	748,663
Crown royalties	318,183	790,883
Resource allowance	(173,639)	(570,070)
ARTC	(36,508)	(25,480)
Rate reduction	(645)	(192,836)
Other	71,560	(6,899)
	\$ 127,849	\$ 744,261

(b) The components of the net future income tax liability are as follows:

	September 30, 2003	December 31, 2002
Future income tax assets:		
Future site restoration	\$ 122,742	\$ -
Security issue costs	406,744	424,835
Non capital losses	235,597	250,453
Future income tax liabilities		
Capital assets	(3,381,605)	(1,751,600)
Net future income tax liability	\$ (2,616,522)	\$ (1,076,312)

Note 7: SHARE CAPITAL**(a) Authorized:**

An unlimited number of voting common shares.

An unlimited number of preferred shares issuable in series.

(b) Issued:

Common shares/warrants:

	Number of Shares/warrants		Amount
Class A common shares:			
Balance, December 31, 2001	9,244,560	\$	13,868,795
Issue of common shares	6,218,737		6,613,162
Issue of flow-through special warrants	2,768,623		3,257,203
Share issue costs, net of future tax effect of \$233,350	-		(320,926)
Tax effect of flow-through special warrants	-		(1,371,268)
Outstanding as at December 31, 2002	18,231,920	\$	22,046,966
For cash, pursuant to private placement	1,836,000		1,800,000
Issued to DT shareholders with respect to the reverse take over of Rise	20,067,920		
Common shares of Rise at date of acquisition	2,861,714		2,720,705
Issue of common shares with respect to the acquisition of Murias Energy Corp	358,000		550,962
Share issue costs, net of future tax of \$114,819			(143,122)
Outstanding as at September 30, 2003	23,287,634	\$	26,975,511
Warrants:			
Outstanding as at December 31, 2002	146,250		49,831
Outstanding as at September 30, 2003	146,250		49,831
Total Share Capital and Warrants	23,433,884	\$	27,025,342

(c) Stock Options

The Company has a stock option plan (the "Plan") under which it has granted options to acquire common shares to certain officers, directors and employees. The Plan provides for the granting of up to ten percent of the issued and outstanding common shares of the Company. Options issued under the Plan have a term of five years to expiry vest equally over a three year period starting on the date of the grant. The exercise price of each option equals the market price of the Company's common shares on the date of the grant.

On September 30, 2003, 1,716,750 options were outstanding with an exercise price between \$0.99 and \$1.45, and a weighted-average remaining contractual life of 4.31 years.

The following table sets forth a reconciliation of the Plan activity to September 30, 2003.

	Number of options		Weighted average exercise price
Outstanding as at December 31, 2002	-	\$	-
Granted	1,716,750	\$	1.36
Outstanding as at September 30, 2003	1,716,750	\$	1.36

As at September 30, 2003, 583,691 options under the Plan had vested.

Subsequent to September 30, 2003, 235,000 options to purchase common shares were granted at exercise prices ranging from \$1.61 to \$1.64.

The Company accounts for its stock based compensation plan using the intrinsic-value method, whereby no costs are recognized in the financial statements for share options granted to employees or directors when the options are issued at market value. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 2003: zero dividend yield; expected volatility of 50%; risk-free rates of 3.5%; and expected life of five years.

Canadian generally accepted accounting principles require disclosure of the effect on net earnings had the fair value method been used for stock options issued on or after January 1, 2002. If the fair value based method had been used, the Company's pro forma net income and income per share would have resulted in \$658,522 net income, \$0.03 per share basic and fully diluted, for the nine months ended September 30, 2003 and a loss of \$359,345 \$(0.02) per share basic and fully diluted, for the three month period ended September 30, 2003. These pro forma earnings reflect compensation cost amortized over the options vesting period.

(d) Weighted Average Number of Shares

The weighted average number of common shares issued and outstanding used in calculating earnings per share for the periods ended September 30, 2003 and 2002, after giving effect to the reverse take-over of Rise (Note 1) are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Basic	22,999,895	10,354,681	20,984,046	9,639,490
Diluted	23,097,818	10,354,681	21,154,502	9,639,490

The reconciling items between the basic and diluted average common shares are outstanding stock options and warrants.

(e) Flow-Through Share Expenditure

Pursuant to the December 23, 2002 flow-through share offering, the Company renounced \$3.2 million of qualifying expenditures effective December 31, 2002. Of the total qualifying expenditures renounced, approximately \$323,000 remains to be expended.

Note 8: FINANCIAL INSTRUMENTS

(a) Fair Value of Financial Instruments

The Company's exposure to financial instruments is limited to financial assets and liabilities, all of which are included in these financial statements. The fair values of financial assets and liabilities that are included in the balance sheet approximate their carrying amounts due to the short-term maturity of those instruments.

(b) Credit Risk

Substantially all of the Company's accounts receivable are with customers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks.

(c) Foreign Currency Exchange Risk

The Company is exposed to foreign currency fluctuations as crude oil and natural gas prices are referenced to U.S. dollar denominated prices.

(d) Commodity Price Risk Management

The Company has a price risk management program whereby the commodity price associated with a portion of its future production is fixed. The Company sells forward a portion of its future production through a combination of fixed price sale contracts with customers and commodity swap agreements with financial counterparties. The forward and futures contracts are subject to market risk from fluctuating commodity prices and exchange rates; gains and losses on the contracts are offset by changes in the value of the Company's production and recognized in income in the same period and category as the hedged item.

At September 30, 2003 the Company has the following physical gas sales contracts outstanding:

YEAR	TIME PERIOD	COMMODITY	TYPE OF CONTRACT	QUANTITY CONTRACTED	PRICE
2003	April 1, 2003 – October 31, 2003	Natural Gas	Financial (costless collar)	1000 GJ/d	\$6.145/GJ
2003	April 1, 2003 – October 31, 2003	Natural Gas	Financial (costless collar)	500 GJ/d	\$5.50 floor/ \$6.75 ceiling
2003	November 1, 2003 – March 31, 2004	Natural Gas	Financial (costless collar)	1000 GJ/d	\$6.00 floor/ \$7.00 ceiling

Note 9: SUBSEQUENT EVENT

Subsequent to September 30, 2003 the Company entered into a definitive share purchase agreement to acquire all of the issued and outstanding shares of Fish Creek Resources Inc. ("Fish Creek") for an aggregate purchase price of \$2,750,000. The purchase price consists of \$1,750,000 in cash minus the working capital deficiency estimated to be \$295,000, and the issuance of 540,540 common shares of Delphi at an ascribed price of \$1.85 per share. Delphi's acquisition of Fish Creek closed on October 31, 2003.

CORPORATE INFORMATION

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Delphi Energy Corp.

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Burnet Duckworth & Palmer

Henry R. Lawrie
Former Chief Accountant, Alberta Securities Commission

Robert A. Lehodey
Partner, Bennett Jones

W. James Risler
Vice President Production
Delphi Energy Corp.

Lamont C. Tolley
Independent Businessman

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TRANSFER AGENT

CIBC Mellon Trust

STOCK EXCHANGE LISTING

TSX Venture Exchange

Stock Symbol: DEE