DELPHI ENERGY CORP.

PRESS RELEASE STRATEGY. EXECUTION. RESULTS.

300, 500 – 4 Avenue SW, Calgary, Alberta T2P 2V6 | t: (403) 265-6171 | f: (403) 265-6207 | e: info@delphienergy.ca | www.delphienergy.ca | TSX Symbol: DEE

DELPHI ENERGY REPORTS CONTINUED GROWTH IN Q1 2008

CALGARY, ALBERTA – May 8, 2008 – Delphi Energy Corp. ("Delphi" or the "Company") is pleased to announce its financial and operational results for the quarter ended March 31, 2008.

First Quarter 2008 Highlights

- Achieved record production of 6,056 barrels of oil equivalent per day (boe/d), an increase of 40 percent over the same period in 2007. This exceeds Delphi's guidance of 6,000 boe/d.
- Generated first quarter funds from operations (cash flow) of $17.1 million ($0.25 per share), a 60 percent increase over $10.7 million ($0.17 per share) in the comparative quarter of 2007.
- Reduced net debt to 1.6 times annualized first quarter funds from operations, down from 1.8 times at the end of 2007. Net debt amounted to $109.7 million at the end of the first quarter.
- Achieved a success rate of 100 percent drilling 11 (8.0 net) wells in Northwest Alberta and Northeast British Columbia. This drilling activity resulted in 36 separate intervals being completed in these multi-zone wells. Eight (5.4 net) of the wells have already been tied-in and are on production.
- Realized hedging gains of $1.4 million on physical and financial contracts through the Company's risk management program, increasing the average realized natural gas price by $0.47 per thousand cubic feet.

Financial Highlights ($ thousands except per unit amounts)	Three Months Ended March 31		
	2008	2007	% Change
Petroleum and natural gas sales	**32,212**	21,974	47
Per boe	**58.45**	56.49	3
Funds from operations	**17,059**	10,665	60
Per boe	**30.95**	27.41	13
Per share – Basic	**0.25**	0.17	47
Per share – Diluted	**0.25**	0.17	47
Net earnings (loss)	**(739)**	(11,653)	-
Per boe	**(1.34)**	(29.97)	-
Per share – Basic	**(0.01)**	(0.18)	-
Per share – Diluted	**(0.01)**	(0.18)	-
Capital expenditures	**26,498**	15,996	66

	March 31, 2008	December 31, 2007	% Change
Debt plus working capital deficiency [(1)]	**109,719**	100,658	9
Total assets	**329,192**	311,735	6
Shares outstanding			
Basic	**68,441**	68,070	1
Diluted	**73,797**	73,551	-

(1) excludes risk management asset or liability

Operational Highlights

Production	Three Months Ended March 31 2008	2007	% Change
Natural gas (mcf/d)	**31,777**	21,658	47
Crude oil (bbls/d)	**387**	366	6
Natural gas liquids (bbls/d)	**372**	346	8
Total (boe/d)	**6,056**	4,322	40

MESSAGE TO SHAREHOLDERS

Delphi Energy Corp. achieved record quarterly production in the first quarter of 2008. Average daily production increased for the fourth consecutive quarter from an average of 4,322 boe/d in the first quarter of 2007 to 6,056 boe/d, an increase of 40 percent. Natural gas production comprised 87 percent of the Company's average production in the first quarter, allowing the Company to turn higher natural gas prices into record funds from operations.

In the first quarter of 2008, natural gas prices continued to increase, a trend which began from the lows of $4.48 per thousand cubic feet (mcf) for AECO in September 2007. While partially influenced by the strength of crude oil price increases, natural gas price increases were predominantly based on supply and demand fundamentals in the North American market. With global natural gas prices considerably higher than the prices in the U.S., liquefied natural gas imports to the U.S. throughout the winter were less than average and significantly less than the peak imports during the summer of 2007. Cold winter weather persisted to the end of March 2008 in the major natural gas consuming regions of central Canada and the northeast U.S. At the end of the natural gas withdrawal season, an increase of over 400 billion cubic feet had been taken out of natural gas storage compared to the previous withdrawal season. Natural gas in storage in the U.S. had been drawn down below five year average levels, a key measure of supply. During the first quarter, the AECO average daily spot price ranged from a low of $6.89 per mcf at the beginning to a high of $9.41 per mcf at the end.

2008 is also turning into an excellent year for oil prices. Oil prices reached over U.S. $115 per barrel early in the second quarter on continued strong global demand, production disruptions, never ending geopolitical unrest in major producing regions and the devaluation of the U.S. dollar. The outlook for oil remains bullish despite its lofty heights and concerns of a U.S. recession resulting from the sub-prime mortgage and related asset-backed commercial paper fallout. For Canadian producers the realized price for light crude oil is very similar to the price of West Texas Intermediate due to the Canadian dollar continuing to remain around parity with the U.S. dollar.

Funds from operations in the first quarter of 2008 were a record $17.1 million, or $0.25 per basic share, compared to $10.7 million, or $0.17 per basic share, in the first quarter of 2007. This is a result of strong cash netbacks from an increasing natural gas price environment and the benefit of the Company's significant leverage to increasing natural gas prices. Delphi's risk management program continued to contribute to funds from operations, providing the Company with the ability to execute its capital program. Realized gains on fixed price physical and financial hedges contributed $1.4 million to funds from operations in the first quarter.

The Company is focused on ensuring its capital program provides near-term production growth at attractive capital metrics. With sustained good winter drilling conditions, quality field crews and strong natural gas prices, the Company's capital program in the first quarter was $26.5 million, drilling 11 (8.0 net) wells with 100 percent success. In addition, the Company performed workover operations on 24 wells and completed several facility and tie-in projects, including 15 kilometres of new pipeline infrastructure.

The Company's financial position continued to strengthen in the first quarter of 2008. At March 31, 2008, the Company had net debt, excluding the risk management asset and liability, of $109.7 million, up from $100.7 million at December 31, 2007. However, on an annualized first quarter funds from operations basis, Delphi improved its net debt to funds flow ratio to 1.6 times from 1.8 times at the end of 2007. Net debt includes bank debt plus working capital deficiency excluding the risk management asset or liability. Delphi's net debt level at the end of the second quarter will be lower than December 31, 2007 based on the expectation of continued strong natural gas prices, production growth and a planned lower capital program in the second quarter due to spring break-up.

OPERATIONAL REVIEW

NORTH WEST ALBERTA

Bigstone

Delphi drilled and cased six wells (4.0 net) in the Bigstone area during the winter program, targeting natural gas and light oil in the Cretaceous aged formations at depths ranging from 1,800 to 2,800 metres. Five of the wells were completed and tied-in prior to spring break-up, resulting in four (2.4 net) natural gas wells and one (1.0 net) oil well producing 47° API light oil from the Cardium formation. The remaining well (0.6 net) will be completed this summer.

Current production from the property has increased to approximately 3,200 boe/d (80 percent natural gas). Since acquiring the Bigstone asset in February 2005, Delphi has drilled 47 gross wells with a success rate in excess of 95 percent. The high drilling success rate, in addition to numerous well and gathering system optimization projects, has resulted in a threefold increase in production and reserves with capital spending equal to 90 percent of the property cash flow.

The Company recently received downspacing approval for the western Bigstone lands, which will allow up to four wells per section. Based on the downspacing approval, Delphi has identified approximately 40 additional drilling locations representing another four to six years of drilling inventory. During the summer, Delphi anticipates drilling up to three wells to be followed up with increased drilling activity next winter.

Hythe

The Company drilled and cased three (2.3 net) wells during the winter program. Completion operations have been initiated on the three wells and five zones were completed prior to spring break-up, including successful completions in the Bluesky and Nikanassin intervals. Results to date are as anticipated, with individual zones testing at rates of 200 to 800 mcf/d. Completion and tie-in operations are expected to resume after spring break-up with eight zones remaining to be evaluated. Additional production and reserve additions have been achieved from well and gathering system optimization, well workovers, recompletions, re-activations and farmin activities. Summer drilling plans are being finalized with the intent to drill eight to 10 wells in the second half of 2008.

Production from the Hythe property has increased to approximately 900 boe/d from 400 boe/d when the property was acquired in September 2007. The 86 sections (72 percent average working interest) of undeveloped land in the Hythe area hold significant growth potential for the Company. Relative to Bigstone, the Hythe assets have three times the undeveloped land base and the 12 productive zones are almost twice those identified at Bigstone. The multi-zone nature of the property, at drilling depths from 900 metres to 2,500 metres, will provide the Company with five to 10 years of drilling inventory. In order to maximize recovery of reserves, commingling approvals have been obtained and downspacing applications have been submitted to the appropriate regulatory agencies. Approval of the downspacing applications will allow the drilling of up to two wells per section, which in turn will result in increased field productivity and reserve recovery.

Delphi is also evaluating fracture stimulated horizontal drilling to enhance well productivity and reserve recovery from several of the lower permeability formations (Bluesky, Cadomin and Nikanassin) that contain significant original gas in place. The regional Nikanassin formation is pervasive throughout the Company's land base and has a very thick (up to 45 metres) sand package with estimated original gas in place of 15 to 20 bcf per section. Vertical wells in the lower permeability Bluesky, Cadomin and Nikanassin formations in the Hythe area typically have initial production rates of 500 to 1,000 mcf/d and ultimate reserve recoveries of 0.5 to 1.5 bcf after fracture stimulation. These performance parameters are very similar to vertical wells in the extensive Cutbank Ridge Cadomin play to the southwest and the developing, unconventional Montney play to the northwest which typically see a three to fivefold increase in well deliverability and reserve recovery from horizontal wells with multiple fracture stimulations. The multi-zone nature of the Hythe assets, the ability to commingle these intervals and the low geologic risk associated with these intervals significantly enhances the economic merits of vertical development of these intervals. In the event fracture stimulated horizontal wells perform similarly to the Cadomin and Montney in the area, the reduction in capital required to exploit these sands, horizontally versus vertically, will have a material positive effect on cash flow during full field development. In the second half of 2008, Delphi anticipates drilling up to four fracture stimulated horizontal wells within the Bluesky, Cadomin or Nikanassin formations to determine the merits of horizontal versus vertical development of these large original gas in place intervals.

NORTH EAST BRITISH COLUMBIA

Noel

Delphi drilled, completed and tied-in two (1.7 net) 2,400 metre wells targeting multi-zone sweet gas in the Falher, Cadotte and Paddy formations. The Company is now producing approximately 275 boe/d of natural gas and natural gas liquids at Noel from four wells (3.1 net).

Noel is a new core area that was added late in 2007 through an industry farmin accessing 15 sections of undeveloped land. To date, Delphi has drilled three wells to earn a 60 percent working interest in nine sections of land. One additional well would earn the remaining six sections of undeveloped land. On the earned lands Delphi has identified six drilling locations and is planning to drill up to three wells during the second half of 2008. The Company continues to pursue other opportunities in the area to increase the land base.

FINANCIAL REVIEW

Funds from operations for the first quarter of 2008 were $17.1 million ($0.25 per share) resulting from a cash netback of $30.95 per boe on production of 6,056 boe/d. Delphi's cash flow per boe growth was primarily due to strong commodity pricing for all products. Delphi recognized approximately $1.2 million (2007 – $2.8 million) in hedging gains on physical contracts, included in natural gas revenue and a hedging gain of $0.2 million on financial contracts. The Company realized an average natural gas price 12 percent higher than the benchmark AECO price in the first quarter of 2008.

For the quarter, capital expenditures were $26.5 million, with 71 percent directed towards the drilling of 8.0 net wells. The majority of the capital expenditures were directed at Bigstone with the drilling of 4.0 net wells with the remaining expenditures primarily focused on drilling and completion operations at Hythe and Noel.

The Company recorded a net loss of $0.7 million ($0.01 per share) in the first quarter of 2008 primarily due to the $2.9 million unrealized loss on risk management activities resulting from the mark-to-market of its financial contracts and U.S. dollar physical sales contracts.

The annual credit review by the Company's lenders is ongoing. Management anticipates the $115 million production credit facility and $10 million development/acquisition credit facility will continue to be made available to the Company based on the year end reserves, particularly due to the increase in the proved producing reserves.

With the addition of recent contracts, Delphi's risk management positions for the remainder of 2008 and 2009 are as follows:

	April – October 2008	November – March 2008/2009	April – October 2009
Production hedged (mmcf/d)	15.3	13.2	3.8
Percentage of production [1]	48%	41%	12%
Price floor (Cdn $/mcf)	$7.97	$8.03	$8.43
Price ceiling (Cdn $/mcf)	$8.09	$8.42	$8.43

[1] based on 32 mmcf/d

OUTLOOK

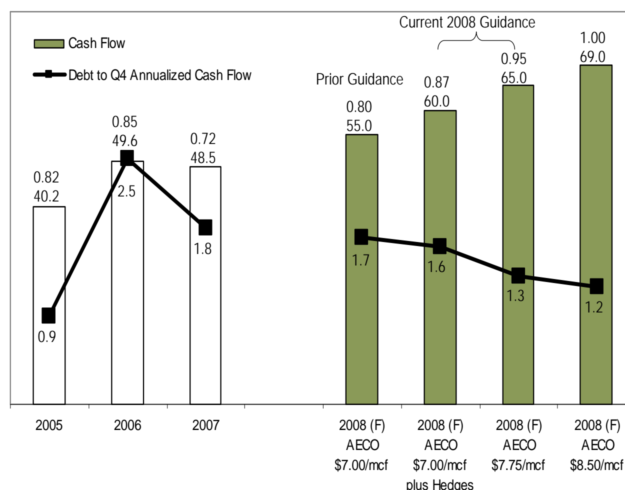
Positive drilling results and continued production growth, coupled with moderating industry service and equipment costs, strengthening natural gas prices and secure financial resources continue to favorably influence Delphi's capital investment decisions. Delphi expects to spend approximately $50.0 million in 2008 – 80 to 90 percent of anticipated 2008 cash flow – drilling 20 to 25 wells. The majority of the capital will be directed towards drilling and completion activities in the Bigstone, Hythe and Noel core areas.

Production guidance for 2008 has been increased to between 6,100 and 6,300 boe/d as a result of the successful 2007-08 winter drilling program at Bigstone, Hythe and Noel. Delphi is also providing guidance for the second quarter of 2008 with production to average 6,200 boe/d, a 15 percent increase over the second quarter of 2007.

Funds from operations for 2008 are now forecast to be between $60 million ($0.87 per share) and $65 million ($0.95 per share), up from $55 million ($0.80 per share) as a result of increased production, higher natural gas prices and additional favorable hedging contracts now in place. The Company expects its net debt to cash flow ratio to improve to less than 1.4 to 1 by year end 2008 on an average AECO price of $7.75/mcf for 2008. With continued strength in the natural gas price market, funds from operations and the net debt to cash flow ratio will continue to improve as illustrated below.

The Company's independent reserves evaluator, GLJ Petroleum Consultants Ltd., has recently revised its future price forecast. Based on this updated price forecast, the proved and probable reserve value at December 31, 2007, discounted at eight percent, increased by 17.6 percent to $338.0 million and the net asset value of the Company at December 31, 2007 would increase to $3.62/share from $2.91/share, as calculated and reported in the Company's 2007 annual report.

Delphi has a significant inventory of defined and repeatable conventional prospects concentrated within its core areas of operation. The multi-zone nature of Delphi's core areas and recently approved downspacing provisions contribute to the Company's large development drilling inventory. Delphi continues to pursue emerging technologies to enhance recoveries of existing reserves as well as untapped natural gas resources within the Company's current land holdings. Delphi is now in the planning phase for an active third and fourth quarter capital program following minimal activity scheduled during the second quarter spring break-up. The Company will be focusing on developing the resource potential in the Bluesky, Cadomin, and Nikanassin formations from its Hythe property, where it holds approximately 86 sections of land with an average working interest of 72 percent.



The Company looks forward to reporting further positive results in the coming quarters.

CONFERENCE CALL

A conference call is scheduled for 9:00 a.m. Mountain Time (11:00 a.m. Eastern Time) on Thursday, May 8, 2008. The conference call number is 1-866-300-7687 or 416-641-6121. A brief presentation by David J. Reid, President & CEO, and Brian Kohlhammer, VP Finance & CFO will be followed by a question and answer period.

Delphi's Annual Meeting of Shareholders will take place May 22, 2008 at 3:00 p.m. in the Devonian Room of the Calgary Petroleum Club in Calgary, Alberta (319 - 5 Avenue SW). Shareholders and future shareholders are welcome to attend.

Delphi's first quarter 2008 financial statements and management's discussion and analysis are available on Delphi's website at www.delphienergy.ca and will be available on SEDAR at www.sedar.com within 24 hours.

Delphi Energy is a Calgary-based company that explores, develops and produces oil and natural gas in Western Canada. The Company is managed by a proven technical team. Delphi trades on the Toronto Stock Exchange under the symbol DEE.

FOR FURTHER INFORMATION PLEASE CONTACT:

DELPHI ENERGY CORP.
300, 500 – 4 Avenue S.W.
Calgary, Alberta
T2P 2V6
Telephone: (403) 265-6171 Facsimile: (403) 265-6207
Email: info@delphienergy.ca Website: www.delphienergy.ca

DAVID J. REID
President & CEO

BRIAN P. KOHLHAMMER
V.P. Finance & CFO

This press release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", may", "will", "should", believe", "intends", "forecast", "plans", "guidance" and similar expressions are intended to identify forward-looking statements or information.

More particularly and without limitation, this press release contains forward looking statements and information relating to the Company's risk management program, petroleum and natural gas production, future funds flow from operations, capital programs, natural gas prices and debt levels. The forward-looking statements and information are based on certain key expectations and assumptions made by Delphi, including expectations and assumptions relating to prevailing commodity prices and exchange rates, applicable royalty rates and tax laws, future well production rates, the performance of existing wells, the success of drilling new wells, the capital availability to undertake planned activities and the availability and cost of labour and services.

Although the Company believes that the expectations reflected in such forward-looking statements and information are reasonable, it can give no assurance that such expectations will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oil and gas industry in general such as operational risks in development, exploration and production, delays or changes in plans with respect to exploration or development projects or capital expenditures, the uncertainty of estimates and projections relating to production rates, costs and expenses, commodity price and exchange rate fluctuations, marketing and transportation, environmental risks, competition, the ability to access sufficient capital from internal and external sources and changes in tax, royalty and environmental legislation. Additional information on these and other factors that could affect the Company's operations or financial results are included in reports on file with the applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com). The forward-looking statements and information contained in this press release are made as of the date hereof for the purpose of providing the readers with the Company's expectations for the coming year. The forward-looking statements and information may not be appropriate for other purposes. Delphi undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

A barrel of oil equivalent (boe), derived by converting gas to oil in the ratio of six thousand cubic feet of gas to one barrel of oil, may be misleading, particularly if used in isolation. A boe conversion is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

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MANAGEMENT DISCUSSION AND ANALYSIS

(all tabular amounts are expressed in thousands of dollars, except per unit amounts)

The management discussion and analysis has been prepared by management and reviewed and approved by the Board of Directors of Delphi Energy Corp. ("Delphi" or "the Company"). The discussion and analysis is a review of the financial results of the Company based upon accounting principles generally accepted in Canada. Its focus is primarily a comparison of the financial performance for the three months ended March 31, 2008 and 2007 and should be read in conjunction with the audited financial statements and accompanying notes for the year ended December 31, 2007. The discussion and analysis has been prepared as of May 8, 2008.

OPERATION AND FINANCIAL HIGHLIGHTS

Delphi Energy Corp. continued to achieve production growth in the first quarter of 2008 with average daily production increasing on a quarter over quarter basis for the fourth consecutive quarter from an average of 4,322 barrels of oil equivalent per day (boe/d) in the first quarter of 2007 to 6,056 boe/d, an increase of 40 percent over the period. First quarter sales volumes represent record quarterly production. Natural gas production comprised 87 percent of the Company's average production which coupled with the increase in natural gas prices contributed to record funds flow in the first quarter.

Funds from operations in the first quarter of 2008 were a record $17.1 million or $0.25 per basic share, compared to $10.7 million or $0.17 per basic share in the first quarter of 2007, as a result of strong cash netbacks from an increasing natural gas price environment and the benefit of the Company's significant leverage to increasing natural gas prices. Delphi's risk management program continued to contribute to funds from operations providing the Company with the ability to execute on its capital program. Delphi recognized approximately $1.2 million (2007 – $2.8 million) in hedging gains on physical contracts, included in natural gas revenue and a hedging gain of $0.2 million on financial contracts.

The Company is focused on ensuring its capital program provides near term production growth at attractive capital metrics. With sustained good winter drilling conditions, quality field crews and improving natural gas prices, the Company's capital program in the first quarter was $26.5 million. Several accomplishments were achieved in the first quarter of 2008 through the Company's capital program including:

- the continued growth in production of its core area of Bigstone, Alberta to over 3,200 boe/d at the end of the quarter, up from 3,000 boe/d in December, 2007;
- the successful drilling of an additional light oil well in the Bigstone area;
- production growth at Hythe, Alberta to over 900 boe/d from 400 boe/d at the time of acquisition in September, 2007 and 650 boe/d in December 2007 with several completed wells from the winter program to be tied-in after spring break-up; and
- the drilling of 11 gross (8.0 net) wells with 100 percent success resulting in 36 separate intervals being completed in the new wells and an additional 24 workovers being completed on existing wells.

The Company's financial position continued to strengthen in the first quarter of 2008. At March 31, 2008, the Company had net debt, excluding the risk management asset and liability, of $109.7 million, up from $100.7 million at December 31, 2007. However, on an annualized first quarter funds from operations basis, Delphi improved its net debt to funds flow ratio to 1.6 times from 1.8 times at the end of 2007. Net debt includes bank debt plus working capital deficiency excluding the risk management asset or liability. Delphi's net debt level at the end of the second quarter will be lower than December 31, 2007 based on the expectation of continued strong natural gas prices, production growth and a planned lower capital program in the second quarter due to spring break-up. The annual credit review by the Company's lenders is ongoing. Management anticipates the $115.0 million production credit facility and $10.0 million development/acquisition credit facility will continue to be made available to the Company based on the year end reserves, particularly, due to the increase in the proved producing reserves.

BUSINESS ENVIRONMENT

Benchmark Prices

	Three Months Ended March 31		
	2008	2007	% Change
Natural Gas			
NYMEX (US $/mmbtu)	**8.08**	7.20	12
AECO (CDN $/mcf)	**7.97**	7.41	8
Crude Oil			
West Texas Intermediate (US $/bbl)	**97.86**	58.16	68
Edmonton Light (CDN $/bbl)	**97.50**	67.09	45
Foreign Exchange Rate			
Canadian to US dollar	**1.00**	1.17	(15)
US to Canadian dollar	**1.00**	0.85	18

Natural Gas

United States natural gas prices are commonly referenced to the New York Mercantile Exchange Henry Hub in Louisiana (NYMEX) while Canadian natural gas prices are typically referenced to the Canadian Alberta Energy Company interconnect with the TransCanada Alberta system (AECO). Natural gas prices are influenced more by North American supply and demand than global fundamentals, however, with the growth in natural gas liquefaction and regasification facilities around the world this North American supply and demand balance has become subject to disruption. The increase in capacity of natural gas liquefaction and regasification facilities has resulted in natural gas in North America becoming a more global commodity with influences from world weather conditions and global supply in the form of liquefied natural gas (LNG) delivered to the United States.

In the first quarter of 2008, natural gas prices continued to increase, a trend which had begun from the lows of $4.48 per thousand cubic feet (mcf) for AECO in September 2007. While partially influenced by the strength of crude oil price increases, natural gas price increases were predominantly based on supply and demand fundamentals in the North American market. With global natural gas prices considerably higher than the prices in the United States, LNG imports to the U.S. throughout the winter were less than average and significantly less than the peak imports during the summer of 2007. Cold winter weather persisted to the end of March 2008 in the major natural gas consuming regions of central Canada and the northeast United States. By the end of the natural gas withdrawal season, an increase of over 400 billion cubic feet had been taken out of natural gas storage compared to the previous withdrawal season. Natural gas in storage in the United States had been drawn down below five year average levels, a key measure of supply. During the quarter, the AECO average daily spot price ranged from a high of $9.41 per mcf at the end of the quarter to a low of $6.89 per mcf at the beginning of the first quarter. For internal forecasting purposes, looking toward the remainder of 2008, Delphi anticipates AECO natural gas prices will now average approximately $7.00 to $7.75 per mcf.

Crude Oil

West Texas Intermediate at Cushing, Oklahoma (WTI) is the benchmark reference for North American crude oil prices. Canadian crude oil prices are based upon postings, primarily at Edmonton, Alberta and represent the WTI price adjusted for quality and transportation differentials as well as the US/CDN dollar exchange rate.

2008 has begun as another excellent year for crude oil prices which continued to increase, reaching over U.S. $115.00 per barrel early in the second quarter, on continued strong global demand, production disruptions, never ending geopolitical unrest in major producing regions and the devaluation of the U.S. dollar. The outlook for oil remains bullish despite its lofty heights and concerns of a U.S. recession resulting from the sub-prime mortgage and related asset backed commercial paper fallout. For Canadian producers the realized price for light crude oil is very similar to the price of West Texas Intermediate due to the Canadian dollar continuing to remain around parity with the U.S. dollar. For internal forecasting purposes, Delphi now anticipates WTI to average between U.S. $90.00 to $100.00 per barrel, up from U.S. $80.00 to $90.00 per barrel, and the Canadian dollar to remain at, or near, par with the U.S. dollar throughout 2008.

Prices for heavy oil and other lesser quality crude oils trade at a discount or differential to light crude oil due to the additional costs in the refining process. The average differential in the first quarter of 2008 was $19.46 per barrel compared to $16.98 per barrel in the first quarter of 2007. The differential varied from a low of $14.07 per barrel to a high of $39.10 per barrel in the first quarter of 2008. The increase in the average differential, offset by higher light oil prices resulted in Bow River crude prices averaging $78.04 per barrel compared to $50.11 per barrel in the first quarter of 2007.

Industry Cost of Services

For oil and gas producers lower costs have continued through the 2007/2008 winter drilling season with a significant improvement in the skill level of the oilfield crews and fewer equipment breakdowns due to maintenance of the equipment through the summer and fall of 2007.

FINANCIAL STRATEGY

The Company maintains an active risk management program as an integral part of its overall financial strategy to mitigate volatility in funds from operations resulting from fluctuating commodity prices. The strategy takes advantage of the upward swings in natural gas prices as a result of the changes in demand/supply fundamentals and/or the movement of significant financial assets invested in the natural gas market as a pure commodity play. Delphi's risk management program consists of both fixed price contracts and costless collars, which provide downside protection and the opportunity to share in the upside if market prices increase above the floor price. If market prices are above fixed price contracts or the ceiling price of costless collars, the Company would continue to achieve its downside protection while realizing losses on financial contracts. Currently, Delphi has hedged approximately 47 percent of its before-royalty natural gas production at a predominantly AECO based average floor price of $7.99 per mcf for the remaining three quarters of 2008. Delphi has a strategy of hedging between 40 to 50 percent of its natural gas production as long as demand/supply fundamentals indicate volatile markets in the future. As the Company's financial condition improves and/or demand/supply fundamentals move toward equilibrium or reduced supply, Delphi will manage its hedging program accordingly to take advantage of exposure to higher natural gas commodity prices.

Delphi continues to direct efforts at maintaining or reducing its controllable costs. Increasing production at its various operating fields through Company owned infrastructure reduces fixed costs on a per boe basis and improves netbacks. Field operators are encouraged to undertake preventative maintenance on field infrastructure and wellsite equipment to minimize production downtime and prevent significant operating costs associated with repairs. In a cost environment which continues to be affected by quality labour shortages and increasing costs of supplies, the Company strives to achieve improvement in its costs of production and at a minimum maintain current production costs.

Maintaining or improving strong operating netbacks per boe through the risk management program and the control of costs associated with production operations, allows the Company to pursue its planned capital program with greater confidence that financial flexibility will be maintained while incurring capital expenditures to grow production volumes. The Company expects to maintain a minimum operating netback per boe in the $29.00 - $31.00 range as it has in the past three years. The risk management program has been and will continue to be an integral part of ensuring operating netbacks in this range.

The annual capital expenditure program will continue to be slightly less than forecast funds from operations. Additional capital may be approved as a result of incremental cash from greater than expected production growth, higher than forecast cash netbacks or other sources of financing.

Delphi continues to be focused on reducing its leverage and improving its financial flexibility through net debt reduction or increasing funds flow growth resulting in a lower net debt to annualized quarterly funds from operations ratio. The Company is focused on achieving its internal target range for this ratio of 1.3 to 1.5 times.

SELECTED INFORMATION

The following table sets forth certain information of the Company for the past eight consecutive quarters.

	Mar. 31 2008	Dec. 31 2007	Sept. 30 2007	Jun. 30 2007	Mar. 31 2007	Dec. 31 2006	Sept. 30 2006	Jun. 30 2006
Production								
Natural gas (mcf/d)	**31,777**	30,610	28,196	26,967	21,658	24,919	25,403	28,797
Oil (bbl/d)	**387**	346	579	423	366	388	444	531
Natural gas liquids (bbl/d)	**372**	420	422	461	346	441	412	503
Barrels of oil equivalent (boe/d)	**6,056**	5,868	5,700	5,379	4,322	4,982	5,090	5,834
Financial								
($ thousands except per unit amounts)								
Petroleum and natural gas revenue	**32,212**	26,632	24,548	24,779	21,974	22,928	21,587	25,865
Funds from operations	**17,059**	13,747	12,600	11,469	10,665	11,817	10,902	14,452
Per share – basic	**0.25**	0.20	0.19	0.17	0.17	0.19	0.18	0.26
Per share – diluted	**0.25**	0.20	0.18	0.17	0.17	0.19	0.18	0.26
Net earnings (loss)	**(739)**	1,732	(1,348)	797	(11,653)	290	658	4,768
Per share – basic	**(0.01)**	0.03	(0.02)	0.01	(0.18)	-	0.01	0.09
Per share – diluted	**(0.01)**	0.03	(0.02)	0.01	(0.18)	-	0.01	0.09

Production for the last eight consecutive quarters reflects the following events: The increase in production volumes for the second quarter of 2006 was from Bigfoot in North East British Columbia as wells were placed on stream followed by a reduced capital program leading to production declines and the disposition of several minor, non-operated properties in the latter half of 2006. In 2007 success at Bigstone, Alberta throughout the year and Noel, British Columbia in the third quarter complemented the mid-year start up of production at Tower Creek, Alberta resulting in consistent quarter over quarter production growth. Production increased in the first quarter of 2008 due to a successful winter program in the core areas. Revenue and funds from operations reflect the cycle of natural gas prices and production volumes. Natural gas prices over the past two years have reflected the cyclical nature of demand. Higher prices in the winter months, reflecting demand for heating, weaken through the summer months as production is placed in storage for the upcoming heating season demand. In the first quarter of 2007, net earnings were significantly reduced by the impairment of goodwill in the amount of $12.1 million. In the first quarter of 2008, the Company achieved record cash flow of $17.1 million or $0.25 per share, due to continued production growth and increasing natural gas and crude oil prices.

DRILLING RESULTS

	Three Months Ended March 31	
	Gross	**Net**
Natural gas wells	**10.0**	**7.0**
Oil wells	**1.0**	**1.0**
Total wells	**11.0**	**8.0**
Success rate (%)	**100**	**100**

The Company had another successful quarter with the drill bit resulting in a drilling success rate of 100 percent. The Company has in excess of one hundred drilling locations identified within its core areas of operations.

CAPITAL INVESTED

	Three Months Ended March 31		
	2008	2007	% Change
Seismic	**3**	129	(98)
Drilling and completions	**18,496**	10,644	74
Equipping and facilities	**6,927**	3,978	74
Capitalized expenses	**637**	970	(34)
Other	**435**	275	58
Capital invested	**26,498**	15,996	66
Asset retirement costs	**-**	56	(100)
Total capital invested	**26,498**	16,052	65

With sustained good winter drilling conditions, quality field crews and improving natural gas prices, the Company's capital program in the first quarter was $26.5 million. The majority of the capital was directed to the drilling and completion of six wells at Bigstone, three wells at Hythe in Alberta and two wells at Noel, British Columbia.

PRODUCTION

	Three Months Ended March 31		
	2008	2007	% Change
Natural gas (mcf/d)	**31,777**	21,658	47
Crude oil (bbls/d)	**387**	366	6
Natural gas liquids (bbls/d)	**372**	346	8
Total (boe/d)	**6,056**	4,322	40

Production for the three months ended March 31, 2008 averaged 6,056 boe/d, an increase of 40 percent over the comparative period primarily due to the successful drilling and optimization programs at Bigstone, Hythe and other core areas. Growth at Bigstone, the Company's top performing region, continued in the first quarter of 2008 resulting in production from the area exceeding 3,200 boe/d. In addition, solid production increases were achieved from the Hythe region as production exceeded 900 boe/d, up from 400 boe/d at the time of acquisition in September 2007. Delphi continues to deliver quarter over quarter organic growth and is well positioned for future production increases within its core assets. The Company's production portfolio for the year was weighted 87 percent to natural gas, seven percent to crude oil and six percent to natural gas liquids.

Crude oil production was six percent higher for the three months ended March 31, 2008 due to increased production from the Cardium light oil play at Bigstone.

Natural gas liquids were eight percent higher for the three months ended March 31, 2008, as compared to the comparative period in 2007 due to the high yield of liquids associated with increased natural gas production at Bigstone.

REALIZED SALES PRICES

	Three Months Ended March 31		
	2008	2007	% Change
AECO ($/mcf)	**7.97**	7.41	8
Heating content and marketing ($/mcf)	**0.47**	0.78	(41)
Gain on physical contracts ($/mcf)	**0.42**	1.42	(70)
Gain on financial contracts ($/mcf)	**0.05**	-	-
Realized gas price ($/mcf)	**8.91**	9.61	(7)
Realized oil price ($/bbl)	**85.05**	53.17	60
Realized natural gas liquids price ($/bbl)	**79.26**	47.98	65
Total realized sales price ($/boe)	**58.45**	56.49	3

For the three months ended March 31, 2008, Delphi continued to benefit from its risk management program in which the Company fixed the price on a portion of its natural gas production at amounts higher than the AECO spot price. For the quarter, the risk management program increased the average price received by approximately $0.47 per mcf with physical contracts adding $0.42 per mcf and financial contracts adding $0.05 per mcf. For the period ended March 31, 2008, the average realized gas price was seven percent less than the comparable quarter due to a decrease in risk management gains on natural gas commodity price contracts.

The Company continues to receive higher than the AECO spot price on natural gas sales due to the high heating content of its natural gas production and the sale of approximately 3,500 million British thermal units (mmbtu) per day on the Alliance pipeline which is priced at the Chicago Monthly Index.

The following table outlines the premium Delphi realized on natural gas compared to the average quarterly AECO price due to the effective risk management program, quality of production and gas marketing arrangements.

	Mar. 31 2008	Dec. 31 2007	Sept. 30 2007	Jun. 30 2007	Mar. 31 2007	Dec. 31 2006	Sept. 30 2006	Jun. 30 2006
Natural Gas Price								
Delphi realized ($/mcf)	**8.91**	7.61	7.20	8.20	9.61	8.41	7.20	7.59
AECO average ($/mcf)	**7.97**	6.15	5.14	7.06	7.40	6.90	6.04	6.00
Premium to AECO	**12%**	24%	40%	16%	30%	22%	19%	27%
Realized hedging gains ($000's)	**1,371**	2,996	3,875	1,130	2,780	2,987	3,532	3,064

Delphi's oil production is slightly better than medium grade oil; therefore the Company's average price fluctuates with the quality differential. Increased production of light oil at Bigstone continues to high grade the Company's quality of crude oil resulting in pricing more reflective of light oil. Realized natural gas liquids prices have increased due to the increase in the price received for condensate, the primary component of the Company's natural gas liquid production.

RISK MANAGEMENT ACTIVITIES

Delphi enters into both financial and physical commodity contracts as part of its risk management program to manage commodity price fluctuations to ensure sufficient cash is generated to fund its capital program particularly when commodity prices are extremely volatile. Delphi makes a concerted effort to hedge production volumes at prices greater than the upper limit of the historical three to five year AECO price range of $5.25 to $8.40 per mcf and is quick to react to price aberrations such as those experienced at the end of 2005. Another component of the risk management program is to layer fixed price contracts in over a period of time, as opposed to locking in a significant portion of volumes at any one point in time, to take advantage of unexpected price spikes. For natural gas production, Delphi has hedged approximately 47 percent of its before-royalty natural gas production at a predominately AECO based average floor price of $7.99 per mcf for the remainder of 2008.

With respect to financial contracts, which are derivative financial instruments, management has elected not to use hedge accounting and consequently records the fair value of its natural gas financial contracts on the balance sheet at each reporting period with the change in the fair value being classified as unrealized gains and losses in the statement of earnings. The changes in the fair value of the United States physical contract are also classified as unrealized gains and losses in the statement of earnings.

The Company recognized an unrealized non-cash loss of $2.9 million on financial contracts and United States dollar based contracts in the first quarter of 2008. The fair values of these contracts are based on an approximation of the amounts that would have been paid to or received from counterparties to settle the contracts outstanding at the end of the period having regard to forward prices and market values provided by independent sources. Due to the inherent volatility in commodity prices, actual amounts realized may differ from these estimates.

The Company has fixed the price applicable to future production through the following contracts.

Time Period	Commodity	Type of Contract	Quantity Contracted	Contract Price ($/unit)
April 2008 – October 2008	Natural Gas	Physical	4,000 GJ/d	$7.21 fixed
April 2008 – October 2008	Natural Gas	Physical	3,000 GJ/d	$7.61 fixed
April 2008 – October 2008	Natural Gas	Physical	2,000 mmbtu/d	U.S. $8.00 fixed
April 2008 – October 2008	Natural Gas	Financial	1,000 GJ/d	$8.07 fixed
April 2008 – October 2008	Natural Gas	Financial	1,000 GJ/d	$8.07 fixed
April 2008 – October 2008	Natural Gas	Financial	1,000 GJ/d	$7.75 floor/$9.55 ceiling
April 2008 – December 2008	Natural Gas	Physical	2,000 GJ/d	$7.82 fixed
April 2008 – March 2009	Natural Gas	Physical	2,000 GJ/d	$7.30 fixed
November 2008 – March 2009	Natural Gas	Physical	4,000 GJ/d	$7.46 fixed
November 2008 – March 2009	Natural Gas	Financial	2,000 GJ/d	$7.62 fixed
November 2008 – March 2009	Natural Gas	Physical	2,000 GJ/d	$7.00 floor/$8.05 ceiling
November 2008 – March 2009	Natural Gas	Physical	2,000 mmbtu/d	U.S. $9.00 fixed
November 2008 – March 2009	Natural Gas	Financial	1,000 GJ/d	$8.00 floor/$11.07 ceiling
April 2009 – October 2009	Natural Gas	Physical	1,000 GJ/d	$7.08 fixed
April 2009 – October 2009	Natural Gas	Physical	1,000 mmbtu/d	U.S. $8.18 fixed
April 2009 – October 2009 (1)	Natural Gas	Physical	2,000 GJ/d	$8.59 fixed

(1) Contract executed after the end of the quarter.

The Company accounts for its Canadian dollar physical sales contracts, which were entered into and continue to be held for the purpose of delivery of production, in accordance with its expected sale requirements as executory contracts on an accrual basis rather than as non-financial derivatives.

REVENUE

	Three Months Ended March 31		
	2008	2007	% Change
Natural gas	**25,628**	18,729	37
Crude oil	**3,002**	1,751	71
Natural gas liquids	**2,918**	1,494	95
Sulphur	**516**	-	100
Realized gain on risk management	**148**	-	100
Total	**32,212**	21,974	47

The increase in revenue for the three months ended March 31, 2008, over the comparative period, is attributed to the increase in production volumes and increase in crude oil prices offset by a reduction in the realized natural gas price. For the three months ended March 31, 2008, Delphi recognized approximately $1.2 million (2007 – $2.8 million) in hedging gains on physical contracts, included in natural gas revenue and a hedging gain of $0.2 million on financial contracts. For the three months ended March 31, 2008 revenue increased 47 percent over the comparative period due to a 40 percent increase in production volumes offset by a seven percent decrease in the realized natural gas price.

ROYALTIES

	Three Months Ended March 31		
	2008	2007	% Change
Total	**5,862**	3,208	83
Per boe	**10.64**	8.25	29
Percent of total revenue including hedges	**18.2**	14.6	
Percent of total revenue excluding hedges	**19.5**	16.7	

The Company pays royalties to provincial governments (Crown), freeholders, which can be individuals or companies, and other oil and gas operators that own surface or mineral rights. Crown royalty rates are calculated on a sliding scale based on commodity prices and individual well production rates. Royalty rates can change due to price fluctuations or changes in production volumes on a well by well basis subject to a minimum and maximum rate restriction ascribed by the Crown. For the three months ended March 31, 2008, royalties as a percentage of revenue increased due to Tower Creek coming off royalty holiday, a decrease in hedge gains compared to the first quarter of 2007 and increased volumes from the Bigstone area which has a higher than corporate average royalty rate. Delphi pays royalties based on the provincial reference price, not the prices received, resulting in Delphi not paying royalties on the hedging gains, consistent with the comparable periods in 2007. Delphi is expecting royalties as a percentage of revenue, before hedging, to be between 19 and 21 percent in 2008.

OPERATING EXPENSES

	Three Months Ended March 31		
	2008	2007	% Change
Total	**5,153**	3,837	34
Per boe	**9.35**	9.87	(5)

Operating expenses on a per boe basis for the three months ended March 31, 2008, decreased five percent over the comparative period due to lower prior period operating cost adjustments from non operated properties. For the three months ended March 31, 2008, the per boe cost is higher than anticipated due to the extreme cold weather experienced that increased costs for gas well servicing and injection to deal with gas well freeze ups. On an absolute basis, operating costs have increased 34 percent due to the 40 percent increase in production. Delphi expects operating costs to be $8.00 to $8.50 per boe for the remainder of 2008.

TRANSPORTATION EXPENSES

	Three Months Ended March 31		
	2008	2007	% Change
Total	**1,577**	1,329	19
Per boe	**2.86**	3.42	(16)

In British Columbia, infrastructure is owned by Spectra Energy that enables natural gas producers to avoid facility construction in exchange for regulated gathering, processing and transmission fees. This all-in charge is included in transportation expenses.

On a per boe basis, transportation costs for the three months ended March 31, 2008 decreased 16 percent over the comparative period. The decrease is attributed to higher production volumes with fixed firm service fees for production and lower transportation costs at Hythe, Alberta than the Bigfoot area. Effective November 1, 2007 Delphi transferred a portion of its excess processing and transmission capacity to third party producers resulting in further reductions in transportation costs.

GENERAL AND ADMINISTRATIVE

	Three Months Ended March 31		
	2008	2007	% Change
General and administrative costs	**2,004**	1,706	17
Overhead recoveries	**(368)**	(247)	49
Salary allocations	**(662)**	(700)	(5)
Net	**974**	759	28
Per boe	**1.77**	1.95	(9)

On a per boe basis, general and administrative (G&A) costs for the three months ended March 31, 2008 decreased nine percent over the comparative period in 2007. The decrease is due to increased overhead recoveries and higher production volumes for the period. As a result of high levels of activity for Delphi and for the industry as a whole, the costs associated with hiring, compensating and retaining employees and consultants have risen. Delphi is committed to continuing to deliver strong growth and believes a strong technical team is paramount to achieve this goal. Delphi expanded its team in 2008 with the addition of a senior exploitation engineer and new land manager. For 2008, Delphi is expecting G&A per boe to decrease slightly as additional production volumes are achieved.

STOCK-BASED COMPENSATION

	Three Months Ended March 31		
	2008	2007	% Change
Total	**232**	213	9
Per boe	**0.42**	0.55	(24)

Stock-based compensation expense is the amortization over the vesting period of the fair value of stock options granted to employees, directors and key consultants of the Company. The fair value of all options granted is estimated at the date of grant using the Black-Scholes option pricing model. The non-cash compensation expense for the three months ended March 31, 2008, increased 21 percent due to the granting of additional stock options during the period. During the three months ended March 31, 2008, Delphi capitalized $0.3 million of stock-based compensation associated with exploration and development activities.

INTEREST

	Three Months Ended March 31		
	2008	2007	% Change
Total	**1,587**	2,176	(27)
Per boe	**2.88**	5.59	(48)

For the period ended March 31, 2008, interest expense on a per boe basis decreased 48 percent over the comparable period due to lower interest costs from reduced interest rates and higher production volumes. Delphi anticipates interest per boe will decrease throughout the year as debt is paid down and production is brought on stream.

DEPLETION, DEPRECIATION AND ACCRETION

	Three Months Ended March 31		
	2008	2007	% Change
Depletion and depreciation	**15,007**	9,375	60
Accretion expense	**144**	158	(9)
Total	**15,151**	9,533	59
Per boe	**27.49**	24.51	12

Depletion, depreciation, and accretion per boe for the three months ended March 31, 2008 increased 12 percent due to higher cost proved reserve additions. With the recently completed Hythe transaction and success at Bigstone and Noel, Delphi is in an excellent position to add proved reserves at metrics below the Company's current depletion rate. The increase in total depletion and depreciation versus the comparative periods is a result of increased production levels and a higher per boe rate.

Accretion expense of asset retirement obligations relates to the passing of time until the Company estimates it will retire its assets and restore the asset locations to a condition which meets or exceeds environmental standards. Due to the long term nature of certain assets of the Company, this accretion expense is estimated to extend over a term of three to 20 years. The Company uses a credit adjusted risk-free rate of eight percent for the purpose of calculating the fair value of its asset retirement obligations and hence the accretion expense. The accretion expense for the three months ended March 31, 2008 decreased nine percent over the comparative period due to a lower asset retirement obligation.

TAXES

	Three Months Ended March 31		
	2008	2007	% Change
Current	**-**	-	-
Future (reduction)	**(486)**	276	-
Total	**(486)**	276	-
Per boe	**(0.88)**	0.71	-

The provision for income taxes in the financial statements for the three months ended March 31, 2008, was a reduction of $0.5 million. Delphi does not anticipate it will be cash taxable until 2009.

FUNDS FROM OPERATIONS

	Three Months Ended March 31		
	2008	2007	% Change
Net earnings (loss)	**(739)**	(11,653)	-
Non-cash items:			
Depletion, depreciation and accretion	**15,151**	9,533	59
Impairment of goodwill	**-**	12,100	(100)
Unrealized loss on risk management activities	**2,901**	196	1,380
Stock-based compensation expense	**232**	213	9
Future income taxes (reduction)	**(486)**	276	-
Funds from operations	**17,059**	10,665	60

For the three months ended March 31, 2008, funds from operations were $17.1 million ($0.25 per basic share) compared to $10.7 million ($0.17 per basic share) in the first quarter of 2007.

Funds from operations is a non-GAAP measure and has been defined by the Company as net earnings (loss) plus the addback of non-cash items (depletion, depreciation and accretion, impairment provisions, stock-based compensation, future income taxes and unrealized gain (loss) on risk management activities) and excludes the change in non-cash working capital related to operating activities and expenditures on asset retirement obligations and reclamation. Management uses funds from operations to analyze performance and considers it a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investments and to repay debt.

The following table shows the reconciliation of funds from operations to cash flow from operating activities for the periods noted:

	Three Months Ended March 31		
	2008	2007	% Change
Funds from operations: Non-GAAP	**17,059**	10,665	60
Settlement of asset retirement obligations	**-**	(191)	(100)
Change in non-cash working capital	**(9,228)**	1,916	-
Cash flow from operating activities: GAAP	**7,831**	12,390	(37)

NET EARNINGS (LOSS)

For the three months ended March 31, 2008, Delphi recorded a net loss of $0.7 million compared to a net loss of $11.7 million in the comparative period of 2007. In the comparative quarter of 2007, the Company recorded a goodwill impairment of $12.1 million. Net earnings were adversely affected by non-cash items such as depletion, depreciation and accretion, unrealized loss on risk management activities, stock-based compensation, impairment provisions and future income taxes. These non-cash items represent the majority of the significant difference between funds from operations and the net loss.

NETBACK ANALYSIS

	Three Months Ended March 31		
	2008	2007	% Change
Barrels of oil equivalent ($/boe)			
Realized sales price	**58.45**	56.49	3
Royalties, net of ARTC	**10.64**	8.25	29
Operating expenses	**9.35**	9.87	(5)
Transportation	**2.86**	3.42	(16)
Operating netback	**35.60**	34.95	2
G&A	**1.77**	1.95	(9)
Interest	**2.88**	5.59	(48)
Cash netback	**30.95**	27.41	13
Unrealized loss on financial contracts	**5.26**	0.50	952
Stock-based compensation expense	**0.42**	0.55	(24)
Depletion, depreciation and accretion	**27.49**	24.51	12
Impairment of goodwill	**-**	31.11	(100)
Future income taxes (reduction)	**(0.88)**	0.71	-
Net earnings (loss)	**(1.34)**	(29.97)	-

Approximately 87 percent of Delphi's production is natural gas and therefore Delphi's cash netbacks are primarily driven by the price received for natural gas.

LIQUIDITY AND CAPITAL RESOURCES

Funding

	Three Months Ended **March 31, 2008**
Sources:	
Funds from operations	**17,059**
Issue of common shares, net of issue costs	**378**
Change in non-cash working capital	**1,561**
	18,998
Uses:	
Capital expenditures	**26,498**
	26,498
Increase (decrease) in bank debt	**7,500**

For the three months ended March 31, 2008 Delphi funded its capital program through a combination of funds flow from operations and increased bank debt.

Share Capital

At March 31, 2008, the Company had 68.3 million common shares outstanding (March 31, 2007 – 68.0 million). The common shares of Delphi trade on the TSX under the symbol DEE. The following table summarizes outstanding share data for the three months ended March 31, 2008.

	Three Months Ended **March 31, 2008**
Weighted Average Common Shares	
Basic	**68,268**
Diluted	**68,280**
Trading Statistics (1)	
High	**2.37**
Low	**1.69**
Average daily, volume	**200,065**

(1) Trading statistics based on closing price

As at May 8, 2008 the Company had 68.4 million common shares outstanding and 5.4 milllion stock options outstanding.

Bank Debt plus Working Capital Deficiency

At March 31, 2008, the Company had $89.5 million outstanding on its credit facility and a working capital deficit of $20.2 million for total debt plus working capital deficit of $109.7 million excluding the financial liability of $1.8 million relating to the unrealized loss on financial commodity contracts. Delphi anticipates spending less than projected funds from operations on capital expenditures during 2008.

The capital intensive nature of the industry will generally result in the Company having a working capital deficiency. The Company has a revolving facility for $115.0 million with a syndicate of Canadian chartered banks. The facility is a 364 day committed revolving facility with a one year term out provision. The credit facility bears interest based on a sliding scale tied to the Company's trailing debt to funds from operations ratio: from a minimum of the bank's prime rate to a maximum of the bank's prime rate plus 1.0 percent. In addition to the revolving term facility, the Company has a $10.0 million development facility. The pricing grid on the development facility is 0.25 percent higher than the revolving term facility.

Contractual Obligations

The Company has a 364 day committed revolving credit facility with a syndicate of Canadian chartered banks which is available until April 30, 2008, the term out date. The term out date may be extended for an additional 364 days upon approval by the banks. Following the term out date, the facilities would become non-revolving for a one year term, at which time the balance outstanding will be due and payable. The annual credit review by the Company's lenders is ongoing. Management anticipates the $115.0 million production credit facility and $10.0 million development/acquisition credit facility will continue to be made available to the Company based on the year end reserves, particularly, due to the increase in the proved producing reserves.

Delphi has firm contracts for gathering, processing and transmission of natural gas in British Columbia. The Company has a lease for office space in Calgary, Alberta.

The future minimum commitments are as follows:

	2008	2009	2010	2011	2012
Bank debt	-	89,500	-	-	-
Gas transmission and treatment	2,738	3,750	3,686	3,332	1,845
Office lease	437	589	603	609	623
Total	3,175	93,839	4,289	3,941	2,468

The Company has an obligation to incur an additional $5.6 million in qualifying exploration expenditures by December 31, 2008 to satisfy the obligation relating to the issuance of flow-through shares in 2007.

GUARANTEES AND OFF-BALANCE SHEET ARRANGEMENTS

Delphi has not entered into any guarantees or off-balance sheet arrangements except for certain lease agreements entered into in the normal course of operations. All leases are operating leases with lease payments charged to operating expenses or general and administrative expenses according to the nature of the lease.

CRITICAL ACCOUNTING ESTIMATES

Delphi's financial statements have been prepared in accordance with Canadian general accepted accounting principles. Certain accounting policies require management to make decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Delphi's management reviews its estimates frequently, however, the emergence of new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates. Delphi attempts to mitigate this risk by employing individuals with the appropriate skill set and knowledge to make reasonable estimates, developing internal reporting systems and comparing past estimates to actual results.

The Company's financial and operating results include estimates of the following:

- Depletion, depreciation and accretion and the ceiling test are based on estimates of oil and gas reserves;
- Estimated revenues, operating expenses and royalties for which actual revenues and costs have not been received;
- Estimated capital expenditures on projects that are in progress;
- Estimated fair value of derivative contracts;
- Estimated amount of the asset retirement obligation including estimates of future costs and the timing of the costs.

CHANGES IN ACCOUNTING POLICIES AND FILING REQUIREMENTS

Financial Instruments

Effective January 1, 2008 the Company adopted CICA section 3862 - Financial Instruments – Disclosure which requires additional disclosure about the Company's financial instruments to be included in the financial statements. The recommendations prescribe an increased importance on risk disclosures associated with recognized and unrecognized financial instruments and how such risks are managed. In addition, the recommendations outline revised requirements for the disclosure of qualitative and quantitative information regarding exposure to risks arising from financial instruments.

Details of the Company's accounting policies for the recognition and measurement of financial instruments and the basis for which revenues and expenses are recognized are disclosed in Note 2 of the Company's audited 2007 annual financial statements.

(a) Risk management overview

The Company is exposed to market risks related to the volatility of commodity prices, foreign exchange rates and interest rates. Risk management is ultimately established by the Board of Directors and is implemented and monitored by senior management. The Company maintains an active risk management program as an integral part of its overall financial strategy to mitigate volatility in funds from operations resulting from fluctuating commodity prices. The strategy takes advantage of the upward swings in natural gas prices as a result of the changes in demand/supply fundamentals and/or the movement of significant financial assets invested in the natural gas commodity market as a pure commodity play.

(b) Fair value of financial assets and liabilities

The Company's financial instruments as at March 31, 2008 include cash, accounts receivable, accounts payable and accrued liabilities, bank debt and risk management asset or liability.

The fair value of financial assets and liabilities that are included in the balance sheet approximate their carrying amounts due to bank debt being at a floating interest rate and all other financial assets and liabilities having a short term to maturity.

The fair value of derivative contracts is determined by calculating the present value of the difference between the contracted price and the related published forward price expectations at the balance sheet date, using the remaining contracted volumes.

(c) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of foreign currency exchange rate risk, interest rate risk and commodity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

The Company utilizes both financial derivatives and physical delivery contracts to manage market risks.

Foreign currency exchange rate risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. Although substantially all of the Company's petroleum and natural gas sales are denominated in Canadian dollars, the underlying market prices in Canada for petroleum and natural gas are affected by changes in the exchange rate between the Canadian and United States dollar. The exchange rate could affect the values of certain contracts, however, this indirect influence cannot be accurately quantified. The Company had no foreign exchange rate swap or related financial contracts in place as at March 31, 2008.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in the market interest rates. The Company is exposed to interest rate risk to the extent that bank debt is at a floating rate of interest. The Company had no interest rate swap or related financial contracts in place as at March 31, 2008. As at March 31, 2008, if interest rates had been 100 basis points lower with all other variables held constant, the net loss for the period would have been $0.2 million (2006- $0.3 million) lower, due to lower interest expense.

Commodity price risk

For commodity price risk – see “Risk Management Activities” earlier in the MD&A.

(d) Credit risk

Credit risk represents the financial loss to the Company if counterparties to a financial instrument fail to meet their contractual obligations and arise principally from the Company’s receivables from joint venture partners. 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. With respect to counterparties to financial instruments, the Company partially mitigates associated credit risk by limiting transactions to counterparties with investment grade credit ratings.

Receivables from petroleum and natural gas marketers are normally collected on the 25th day of the month following production. The Company’s policy to mitigate credit risk associated with these balances is to establish marketing relationships with large purchasers. The Company historically has not experienced any collection issues with its petroleum and natural gas marketers. Joint venture receivables are typically collected within one to three months of the joint venture billing being issued to the partner. The Company attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditures prior to expenditure. However, partners are exposed to various industry and market risks that could result in non-collection. The Company does not typically obtain collateral from natural gas marketers or joint venture partners, however, the Company does have the ability to withhold production from joint venture partners in the event of non-payment.

The carrying amount of cash and accounts receivable represent the maximum credit exposure. The Company does not have an allowance for doubtful accounts as at March 31, 2008 and 2007 and was not required to write-off any receivables during the quarter.

As at March 31, 2008 the Company considers its receivables to be aged as follows:

	March 31, 2008
Current (less than 90 days)	15,821
Past due (1-30 days)	1,580
Past due (31-60 days)	-
Past due (61-90 days)	21
Past due (more than 90 days)	1,004
Total	18,426

(e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company’s approach to managing liquidity risk is to ensure, to the extent possible, that it will have sufficient cash resources to meet its liabilities when they become due. The Company actively monitors the costs of its operations and capital expenditure program by preparing an annual budget, formally approved by the Board of Directors. On a monthly basis, internal reporting of actual results is compared to the budget in order to modify budget assumptions, if necessary, to ensure liquidity is maintained.

The Company requires sufficient cash to fund its operating costs and capital program that is designed to maintain or increase production and develop reserves, to acquire petroleum and natural gas assets and to satisfy debt obligations. The majority of capital spent will be funded through cash flow from operating activities. The Company enters into risk management contracts designed to improve risk-adjusted returns and to ensure adequate cash flow to fund the Company's capital program and maintain liquidity. The Company uses a combination of both financial and physical commodity price contracts. Contracts are initiated within the guidelines of the Company's risk management program and are not entered into for speculative purposes. The Company also has a 364 day revolving credit facility with a syndicate of Canadian chartered banks with a one year term out provision.

The following are the contractual maturities of financial liabilities as at March 31, 2008:

Financial liabilities	< 1 Year	1 – 2 Years	2 – 5 Years	Thereafter
Accounts payable and accrued liabilities	41,949	-	-	-
Bank debt – principal	-	89,500	-	-
Total	41,949	89,500	**-**	**-**

International Financial Reporting Standards

On February 13, 2008, Canada's Accounting Standards Board confirmed January 1, 2011 as the effective date for the convergence of Canadian GAAP to International Financial Reporting Standards. Delphi will continue to monitor the progress of the Canadian Securities Administrators' plan for transition. Due to the extended period of time until implementation, Delphi has not yet determined the effects on its financial position or results of operations.

CORPORATE GOVERNANCE

Overview

The shareholders' interests are a critical factor in the operation and management of Delphi. The Company is committed to maintaining the highest level of investor confidence in the Company through the application of its corporate governance policies. Delphi's Board consists of five independent directors and two officers of the Company who meet regularly to discuss matters of strategy and execution of the business plan. See Delphi's Management Information Circular and AIF for a listing of committees that oversee specific aspects of the Company's operating and financial strategy.

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to ensure information required to be disclosed by Delphi is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding disclosures. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by the annual filings, that the Company's disclosure controls and procedures provide a reasonable level of assurance that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified. The controls and procedures are designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the issuer's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. The Company notes that while it believes the disclosure controls and procedures provide a reasonable level of assurance that they are effective, it does not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system is designed to provide reasonable, not absolute, assurance that the objectives of the control system are met.

2008 OUTLOOK

Strategy

Delphi emphasizes a full-cycle approach to its business and strives for internally generated development opportunities as a means of enhancing its production base and ultimately creating value for shareholders. Delphi's goal is to become a dominant natural gas developer and explorer focused in North West Alberta and North East British Columbia. The objective is to develop an inventory of opportunities and undeveloped land base from which production and reserves can be added independent of acquisition activity. In that regard, the Company's ability to add production through the drill bit creates a competitive advantage over those competitors that are reliant upon acquisitions to build or maintain their production base. Currently, Delphi has identified over one hundred drilling locations, 2 to 3 years drilling inventory, on its

core areas. Delphi continues to pursue acquisitions that will be accretive on a per share basis to cash flow, production, reserves and net asset value and which provide significant development opportunities to further enhance value.

2008 Capital Activities

The capital program for 2008 has been established at an estimated $50.0 million for the drilling of approximately 15 to 18 net wells. The Company has allocated approximately one-third of its capital to each of Bigstone and Hythe with the remaining one-third allocated to other areas throughout the year. The majority of the expenditures through the winter drilling season were allocated to Bigstone. In the latter half of the year, the majority of the capital will be directed towards Hythe, once the technical teams have had sufficient time to evaluate the multi-zone nature of this significant land base. Positive results from the capital program, coupled with moderating industry service and equipment costs and secure financial resources, continue to be the main drivers of Delphi's capital investing decision making in the context of natural gas prices and the proposed Alberta royalty regime changes. Delphi is well positioned to internally finance its capital program through funds from operations and available bank lines, if necessary.

2008 Production Guidance

For 2008, the Company has forecast average production volumes to be in the 6,100 to 6,300 boe/d range, an increase of 15 percent over the average production volumes in 2007. Further quarterly production guidance will be made available throughout the year. The volumes will continue to be dominated by natural gas production of approximately 80 to 85 percent.

Alberta Royalty Review

On September 18, 2007 the Royalty Review Panel, comprised of independent members appointed by the Government of Alberta, released its report outlining recommendations on how the Government of Alberta should modify the existing royalty structure on oil and gas production. On October 25, 2007, the Government of Alberta responded by announcing its proposed changes to the royalty structure which are to be made effective January 1, 2009. The proposed recommendations would revise the royalty calculation formula for conventional oil and gas, increasing the sensitivity of royalties to both commodity prices and well productivity rates. A simplification of the overall royalty regime was also part of the recommendations including the elimination of oil and gas tiers, the elimination of a number of special royalty programs and expanded royalty rate limits on both oil and gas commodity prices. The Government of Alberta also introduced a deep gas drilling adjustment for wells greater than a certain measured depth. The Company will continue to monitor the status of the recommendations as the final royalty structure is established.

ADDITIONAL INFORMATION

Additional information about Delphi is available on the Canadian Securities Administrators' System for Electronic Distribution and Retrieval (SEDAR) at www.sedar.com, at the Company's website at www.delphienergy.ca or by contacting the Company at Delphi Energy Corp. Suite 300, 500 – 4th Avenue S.W., Calgary, Alberta, T2P 2V6 or by e-mail at info@delphienergy.ca.

***Basis of Presentation**. For the purpose of reporting production information, reserves and calculating unit prices and costs, natural gas volumes have been converted to a barrel of oil equivalent (boe) using six thousand cubic feet equal to one barrel. A boe conversion ratio of 6:1 is based upon an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. This conversion conforms with the Canadian Securities Administrators' National Instrument 51-101 when boes are disclosed. Boes may be misleading, particularly if used in isolation.*

***NON GAAP Measures**. The MD&A contains the terms "funds from operations", "funds from operations per share" and "netbacks" which are not recognized measures under Canadian generally accepted accounting principles. The Company uses these measures to help evaluate its performance. Management considers netbacks an important measure as it demonstrates its profitability relative to current commodity prices. Management uses funds from operations to analyze performance and considers it a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investments and to repay debt. Funds from operations is a non-GAAP measure and has been defined by the Company as net earnings plus the addback of non-cash items (depletion, depreciation and accretion, stock-based compensation, future income taxes and unrealized gain/(loss) on risk management activities) and excludes the change in non-cash working capital related to operating activities and expenditures on asset retirement obligations and reclamation. The Company also presents funds from operations per share whereby amounts per share are calculated using weighted average shares outstanding consistent with the calculation of earnings per share. Delphi's determination of funds from operations may not be comparable to that reported by other companies nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with Canadian GAAP.*

***Forward-Looking Statements**. This management discussion and analysis contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", may", "will", "should", believe", "intends", "forecast", "plans", "guidance" and similar expressions are intended to identify forward-looking statements or information.*

More particularly and without limitation, this management discussion and analysis contains forward looking statements and information relating to the Company's risk management program, petroleum and natural gas production, future funds from operations, capital programs, commodity prices, costs and debt levels. The forward-looking statements and information are based on certain key expectations and assumptions made by Delphi, including expectations and assumptions relating to prevailing commodity prices and exchange rates, applicable royalty rates and tax laws, future well production rates, the performance of existing wells, the success of drilling new wells, the capital availability to undertake planned activities and the availability and cost of labour and services.

Although the Company believes that the expectations reflected in such forward-looking statements and information are reasonable, it can give no assurance that such expectations will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oil and gas industry in general such as operational risks in development, exploration and production, delays or changes in plans with respect to exploration or development projects or capital expenditures, the uncertainty of estimates and projections relating to production rates, costs and expenses, commodity price and exchange rate fluctuations, marketing and transportation, environmental risks, competition, the ability to access sufficient capital from internal and external sources and changes in tax, royalty and environmental legislation. Additional information on these and other factors that could affect the Company's operations or financial results are included in reports on file with the applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com). The forward-looking statements and information contained in this press release are made as of the date hereof for the purpose of providing the readers with the Company's expectations for the coming year. The forward-looking statements and information may not be appropriate for other purposes. Delphi undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

DELPHI ENERGY CORP.
Consolidated Balance Sheets (unaudited)

($ thousands)	**March 31 2008**	December 31 2007
Assets		
Current assets		
Accounts receivable	**18,426**	12,604
Prepaid expenses and deposits	**3,304**	2,752
Risk management asset (Note 8)	**-**	1,113
	21,730	16,469
Property, plant and equipment (Note 4)	**307,462**	295,266
Total assets	**329,192**	311,735
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**41,949**	34,014
Risk management liability (Note 8)	**1,788**	-
	43,737	34,014
Long term debt (Note 5)	**89,500**	82,000
Future income taxes	**32,550**	28,162
Asset retirement obligations (Note 6)	**7,577**	7,183
	173,364	151,359
Shareholders' equity		
Share capital (Note 7)	**144,693**	148,898
Contributed surplus (Note 7)	**8,632**	8,236
Retained earnings	**2,503**	3,242
Total shareholders' equity	**155,828**	160,376
Total liabilities and shareholders' equity	**329,192**	311,735

Commitments (Note 9)

See accompanying notes to the interim consolidated financial statements.

DELPHI ENERGY CORP.

Consolidated Statements of Earnings (Loss), Comprehensive Income (Loss) and Retained Earnings (unaudited)
For the three months ended March 31

($ thousands, except per unit amounts)	**2008**	2007
Revenue		
Petroleum and natural gas sales	**32,064**	21,974
Realized gain on risk management activities	**148**	-
	32,212	21,974
Royalties	**(5,862)**	(3,208)
Unrealized loss on risk management activities	**(2,901)**	(196)
	23,449	18,570
Expenses		
Operating	**5,153**	3,837
Transportation	**1,577**	1,329
General and administrative	**974**	759
Stock-based compensation (Note 7)	**232**	213
Interest	**1,587**	2,176
Depletion, depreciation and accretion	**15,151**	9,533
Impairment of goodwill	**-**	12,100
	24,674	29,947
Earnings (loss) before taxes	**(1,225)**	(11,377)
Taxes		
Current	**-**	-
Future (reduction)	**(486)**	276
	(486)	276
Net earnings (loss) and comprehensive loss	**(739)**	(11,653)
Retained earnings, beginning of period	**3,242**	13,714
Retained earnings, end of period	**2,503**	2,061
Net earnings (loss) per share (Note 7)		
Basic and diluted	**(0.01)**	(0.18)

See accompanying notes to the interim consolidated financial statements.

DELPHI ENERGY CORP.

Consolidated Statements of Cash Flows (unaudited)
For the three months ended March 31

($ thousands)	**2008**	2007
Cash flow from operating activities		
Net earnings(loss)	**(739)**	(11,653)
Add non-cash items:		
Depletion, depreciation and accretion	**15,151**	9,533
Impairment of goodwill	**-**	12,100
Stock-based compensation	**232**	213
Unrealized loss on risk management activities	**2,901**	196
Future taxes (reduction)	**(486)**	276
Expenditures on asset retirement obligations	**-**	(191)
Change in non-cash working capital	**(9,228)**	1,916
	7,831	12,390
Cash flow from financing activities		
Issue of flow-through common shares, net of issue costs	**-**	16,877
Exercise of stock options	**378**	-
Increase(decrease) in bank debt	**7,500**	(15,000)
	7,878	1,877
Cash flow used in investing activities		
Capital expenditures	**(26,498)**	(15,996)
Change in non-cash working capital	**10,789**	5,833
	(15,709)	(10,163)
Increase in cash and cash equivalents	**-**	4,104
Cash and cash equivalents, beginning of period	**-**	757
Cash and cash equivalents, end of period	**-**	4,861
Interest paid	**1,587**	1,944

See accompanying notes to the interim consolidated financial statements.

NOTE 1: DESCRIPTION OF BUSINESS

Delphi Energy Corp. ("the Company" or "Delphi") is incorporated under the Business Corporations Act (Alberta) and is a public company listed on the Toronto Stock Exchange. Delphi is primarily engaged in the exploration for and development and production of natural gas from properties located in North West Alberta and North East British Columbia.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim consolidated financial statements of Delphi have been prepared by management in accordance with accounting principles generally accepted in Canada and following the same accounting policies and methods of computation as the consolidated financial statements for the year ended December 31, 2007, except as described in Note 3. The disclosures provided below are incremental to those included with the annual financial statements. The unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto in the Company's Annual Report for the year ended December 31, 2007. The preparation of financial statements in accordance 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 reporting period. Actual results may differ from these estimates.

NOTE 3: NEW DISCLOSURES

Financial Instruments – Disclosure and Presentation

Effective January 1, 2008 the Company adopted CICA section 3862 - Financial Instruments – Disclosure which requires additional disclosure about the Company's financial instruments to be included in the financial statements. The recommendations prescribe an increased importance on risk disclosures associated with recognized and unrecognized financial instruments and how such risks are managed. In addition, the recommendations outline revised requirements for the disclosure of qualitative and quantitative information regarding exposure to risks arising from financial instruments. These additional disclosures are included in Note 8.

NOTE 4: PROPERTY, PLANT AND EQUIPMENT

As at March 31, 2008	Cost	Accumulated depletion and depreciation	Net book value
Petroleum and natural gas properties	**342,395**	**127,652**	**214,743**
Production equipment	**114,029**	**21,610**	**92,419**
Furniture, fixtures and office equipment	**803**	**503**	**300**
	457,227	**149,765**	**307,462**

As at December 31, 2007	Cost	Accumulated depletion and depreciation	Net book value
Petroleum and natural gas properties	323,305	114,408	208,897
Production equipment	105,713	19,877	85,836
Furniture, fixtures and office equipment	1,003	470	533
	430,021	134,755	295,266

As at March 31, 2008, costs in the amount of $9.5 million (December 31, 2007 - $10.8 million) representing unproved properties were excluded from the depletion calculation and estimated future development costs of $7.8 million (December 31, 2007 - $15.7 million) have been included in costs subject to depletion. All costs of unproved properties have been capitalized. Ultimate recoverability of these costs will be dependent upon finding proved oil and natural gas reserves.

For the three months ended March 31, 2008, the Company capitalized $0.6 million (March 31, 2007 - $0.7 million) of general and administrative costs directly related to exploration and development activities.

NOTE 5: LONG TERM DEBT

The Company has a revolving facility for $115.0 million with a syndicate of Canadian chartered banks (see note 9). The facility is a 364 day committed revolving facility with a one year term out provision. The credit facility bears interest based on a sliding scale tied to the Company's trailing debt to cash flow: from a minimum of the bank's prime rate to a maximum of the bank's prime rate plus 1.0 percent.

In addition to the revolving term facility, the Company has a $10.0 million development facility with its lenders. The pricing grid on the development facility is 0.25 percent higher than the revolving term facility.

The two facilities are secured by a $200.0 million demand floating charge debenture and a general security agreement over all assets of the Company.

NOTE 6: ASSET RETIREMENT OBLIGATIONS

The Company's asset retirement obligations result from working interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Company estimates the total undiscounted amount of cash flows required to settle its asset retirement obligations, over the next three to twenty years, is approximately $16.9 million. A credit-adjusted risk-free rate of 8.0 percent and an inflation rate of 2.5 percent were used to calculate the estimated fair value of the asset retirement obligations.

A reconciliation of the asset retirement obligations is provided below.

	March 31, 2008	December 31, 2007
Balance, beginning of period	**7,183**	7,951
Liabilities incurred	**250**	1,017
Liabilities disposed	**-**	(1,873)
Liabilities settled	**-**	(550)
Accretion expense	**144**	638
Balance, end of period	**7,577**	7,183

NOTE 7: SHARE CAPITAL

(a) Authorized

An unlimited number of common shares.

An unlimited number of preferred shares issuable in series.

(b) Common shares issued

	March 31, 2008		December 31, 2007	
	Outstanding shares (000's)	**Amount**	Outstanding shares (000's)	Amount
Balance, beginning of period	**68,070**	**148,898**	60,663	139,108
Issue of flow-through common shares	**-**	**-**	7,350	18,007
Exercise of stock options	**371**	**378**	57	83
Allocated from contributed surplus	**-**	**175**	-	39
Share issue costs	**-**	**-**	-	(1,208)
Future tax effect of share issue costs	**-**	**-**	-	369
Tax benefit renounced to shareholders	**-**	**(4,758)**	-	(7,500)
Balance, end of period	**68,441**	**144,693**	68,070	148,898

On March 1, 2007, the Company issued 7.35 million flow-through common shares at a price of $2.45 per share for gross proceeds of $18.0 million.

The Company has incurred the necessary qualifying exploration expenditures to satisfy the terms of the flow-through common shares issued in 2006. Although the Company believes it has incurred the necessary qualifying expenditures, these amounts may be subject to audit and subsequent interpretation by the Canada Revenue Agency. The Company has an obligation to incur qualifying exploration expenditures of $18.0 million by December 31, 2008 to satisfy the obligation relating to the issuance of flow-through shares in 2007. As at March 31, 2008, the Company has a remaining requirement to incur approximately $5.6 million of qualifying expenditures to fully satisfy this obligation.

(c) Stock options

The Company has established a stock option plan under which it has granted options to acquire common shares to certain officers, directors, employees and key consultants. The plan provides for the granting of options equal 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 and vest over a two-year period starting on the date of the grant. The exercise price of each option equals the 5 day weighted average of the closing market price of the Company's common shares, immediately preceding the date of the grant. As at March 31, 2008 there were 5.4 million options to purchase shares outstanding.

The following table summarizes the changes in the number of options outstanding and the weighted average share prices.

	March 31, 2008		December 31, 2007	
	Outstanding options (000's)	**Weighted average exercise price**	Outstanding options (000's)	Weighted average exercise price
Balance, beginning of period	**5,481**	**1.60**	4,229	3.40
Granted	**300**	**1.77**	4,500	1.67
Cancelled	**-**	**-**	(121)	3.92
Forfeited	**(54)**	**1.55**	(3,070)	4.09
Exercised	**(371)**	**1.03**	(57)	1.45
Balance, end of period	**5,356**	**1.65**	5,481	1.60
Exercisable at end of period	**2,236**	**1.61**	2,481	1.52

The following table summarizes information about the stock options outstanding and exercisable at March 31, 2008.

	Options outstanding			Options exercisable	
Range of exercise price	Outstanding options (000's)	Weighted average exercise price	Weighted average remaining term (years)	Exercisable (000's)	Weighted average exercise price
$1.45 - $1.79	**5,341**	**1.65**	**4.1**	**2,231**	**1.61**
$1.80 - $2.00	**15**	**1.93**	**4.2**	**5**	**1.93**
Total	**5,356**	**1.65**	**4.1**	**2,236**	**1.61**

(d) Stock-based compensation

The Company accounts for its stock-based compensation using the fair value method for all stock options. For the three months ended March 31, 2008 Delphi recorded non-cash compensation expense of $0.3 million. The Company capitalized $0.3 million (March 31, 2007 - $0.2 million) of stock-based compensation directly related to exploration and development activities.

The fair values of all options granted during the period are estimated at the date of grant using the Black-Scholes option pricing model. The weighted average fair value of options granted during the period was $0.89 per share. The assumptions used in the Black-Scholes model to determine fair value were as follows:

	Three Months Ended March 31, 2008
Risk free interest rate (%)	**5.0**
Expected life (years)	**5.0**
Expected volatility (%)	**52**

The Company did not grant any options during the three months ended March 31, 2007.

(e) Contributed surplus

The following table outlines the changes in the contributed surplus balance.

	March 31, 2008	December 31, 2007
Balance, beginning of period	**8,236**	5,627
Stock-based compensation costs	**571**	2,648
Reclassification of common shares on exercise of stock options	**(175)**	(39)
Balance, end of period	**8,632**	8,236

(f) Net earnings (loss) per share

Net earnings (loss) per share has been based on the following weighted average common shares:

For the three months ended March 31	**2008**	2007
Basic	**68,268**	63,112
Diluted	**68,280**	63,428

The reconciling item between the basic and diluted weighted average common shares outstanding is stock options.

Note 8: Financial Instruments

Details of the Company's accounting policies for the recognition and measurement of financial instruments and the basis for which revenues and expenses are recognized are disclosed in Note 2 of the Company's audited 2007 annual financial statements.

(a) Risk management overview

The Company is exposed to market risks related to the volatility of commodity prices, foreign exchange rates and interest rates. Risk management is ultimately established by the Board of Directors and is implemented and monitored by senior management. The Company maintains an active risk management program as an integral part of its overall financial strategy to mitigate volatility in funds from operations resulting from fluctuating commodity prices. The strategy takes advantage of the upward swings in natural gas prices as a result of the changes in demand/supply fundamentals and/or the movement of significant financial assets invested in the natural gas commodity market as a pure commodity play.

(b) Fair value of financial assets and liabilities

The Company's financial instruments as at March 31, 2008 include cash, accounts receivable, accounts payable and accrued liabilities, bank debt and risk management asset or liability.

The fair value of financial assets and liabilities that are included in the balance sheet approximate their carrying amounts due to bank debt being at a floating interest rate and all other financial assets and liabilities having a short term to maturity.

The fair value of derivative contracts is determined by calculating the present value of the difference between the contracted price and the related published forward price expectations at the balance sheet date, using the remaining contracted volumes.

(c) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of foreign currency exchange rate risk, interest rate risk and commodity price risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

The Company utilizes both financial derivatives and physical delivery contracts to manage market risks.

Foreign currency exchange rate risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. Although substantially all of the Company's petroleum and natural gas sales are denominated in Canadian dollars, the underlying market prices in Canada for petroleum and natural gas are affected by changes in the exchange rate between the Canadian and United States dollar. The exchange rate could affect the values of certain contracts, however, this indirect influence cannot be accurately quantified. The Company had no foreign exchange rate swap or related financial contracts in place as at March 31, 2008.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in the market interest rates. The Company is exposed to interest rate risk to the extent that bank debt is at a floating rate of interest. The Company had no interest rate swap or related financial contracts in place as at March 31, 2008. As at March 31, 2008, if interest rates had been 100 basis points lower with all other variables held constant, the net loss for the period would have been $0.2 million (2007- $0.3 million) lower, due to lower interest expense.

Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are affected not only by the relationship between the Canadian and United States dollar, as outlined above, but also world economic events that dictate the levels of supply and demand. The Company has a commodity price risk management program in place whereby the commodity price associated with a portion of its future production is fixed. The Company sells forward a portion of its future production and enters into a combination of fixed price sale contracts with customers and commodity swap agreements with financial counterparties. The forward contracts are subject to market risk from fluctuating commodity prices and foreign exchange rates. The Company's policy is to enter into commodity contracts to a maximum of 40 – 50 percent of current production volumes.

As at March 31, 2008, the Company has the following financial derivative sales contracts which are recorded on the balance sheet at fair value with changes in fair value included in unrealized gain or loss on risk management activities in the statement of earnings.

Time Period	Commodity	Type of Contract	Quantity Contracted	Contract Price ($/unit)
April 2008 – October 2008	Natural Gas	Financial	1,000 GJ/d	$8.07 fixed
April 2008 – October 2008	Natural Gas	Financial	1,000 GJ/d	$8.07 fixed
April 2008 – October 2008	Natural Gas	Financial	1,000 GJ/d	$7.75 floor/$9.55 ceiling
November 2008 – March 2009	Natural Gas	Financial	2,000 GJ/d	$7.62 fixed
November 2008 – March 2009	Natural Gas	Financial	1,000 GJ/d	$8.00 floor/$11.07 ceiling

The Company has both United States and Canadian dollar physical sales contracts. The Canadian dollar physical sales contracts were entered into and continue to be held for the purpose of delivery of non-financial items as executory contracts and have not been recorded at fair value. The changes in fair value of the United States dollar physical sales contracts are included in unrealized gain or loss on risk management activities in the statement of earnings. As at March 31, 2008, the Company had the following physical sales contracts.

Time Period	Commodity	Type of Contract	Quantity Contracted	Contract Price ($/unit)
April 2008 – October 2008	Natural Gas	Physical	4,000 GJ/d	$7.21 fixed
April 2008 – October 2008	Natural Gas	Physical	3,000 GJ/d	$7.61 fixed
April 2008 – October 2008	Natural Gas	Physical	2,000 mmbtu/d	U.S. $8.00 fixed
April 2008 – December 2008	Natural Gas	Physical	2,000 GJ/d	$7.82 fixed
April 2008 – March 2009	Natural Gas	Physical	2,000 GJ/d	$7.30 fixed
November 2008 – March 2009	Natural Gas	Physical	4,000 GJ/d	$7.46 fixed
November 2008 – March 2009	Natural Gas	Physical	2,000 GJ/d	$7.00 floor/$8.05 ceiling
November 2008 – March 2009	Natural Gas	Physical	2,000 mmbtu/d	U.S. $9.00 fixed
April 2009 – October 2009	Natural Gas	Physical	1,000 GJ/d	$7.08 fixed
April 2009 – October 2009	Natural Gas	Physical	1,000 mmbtu/d	U.S. $8.18 fixed
April 2009 – October 2009 (1)	Natural Gas	Physical	2,000 GJ/d	$8.59 fixed

(1) Contract executed after the end of the quarter.

For the three months ended March 31, 2008, the physical contracts resulted in settlement gains of $1.2 million (2007 - $2.8 million) that have been included in petroleum and natural gas sales. The financial contracts for the three months ended March 31, 2008 resulted in gains of $0.2 million (2007 - $nil) that have been included in the statement of earnings as a realized gain on risk management activities. As at March 31, 2008, if natural gas prices had been +/- $0.10 per mcf, with all other variables held constant, the net change in the unrealized gain or loss on risk management activities in the statement of earnings for the period would have been +/- $0.2 million (2007 – $nil). The sensitivity is higher in 2008 as compared to 2007 because of an increase in financial and U.S. dollar based physical contracts outstanding.

(d) Credit risk

Credit risk represents the financial loss to the Company if counterparties to a financial instrument fail to meet their contractual obligations and arise principally from the Company's receivables from joint venture partners. 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. With respect to counterparties to financial instruments, the Company partially mitigates associated credit risk by limiting transactions to counterparties with investment grade credit ratings.

Receivables from petroleum and natural gas marketers are normally collected on the 25th day of the month following production. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with large purchasers. The Company historically has not experienced any collection issues with its petroleum and natural gas marketers. Joint venture receivables are typically collected within one to three months of the joint venture billing being issued to the partner. The Company attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditures prior to expenditure. However, partners are exposed to various industry and market risks that could result in non-collection. The Company does not typically obtain collateral from natural gas marketers or joint venture partners, however, the Company does have the ability to withhold production from joint venture partners in the event of non-payment.

The carrying amount of cash and accounts receivable represent the maximum credit exposure. The Company does not have an allowance for doubtful accounts as at March 31, 2008 and 2007 and was not required to write-off any receivables during the quarter.

As at March 31, 2008 the Company considers its receivables to be aged as follows.

	March 31, 2008
Current (less than 90 days)	**15,821**
Past due (1-30 days)	**1,580**
Past due (31-60 days)	**-**
Past due (61-90 days)	**21**
Past due (more than 90 days)	**1,004**
Total	**18,426**

(e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure, to the extent possible, that it will have sufficient cash resources to meet its liabilities when they become due. The Company actively monitors the costs of its operations and capital expenditure program by preparing an annual budget, formally approved by the Board of Directors. On a monthly basis, internal reporting of actual results is compared to the budget in order to modify budget assumptions, if necessary, to ensure liquidity is maintained.

The Company requires sufficient cash to fund its operating costs and capital program that are designed to maintain or increase production and develop reserves, to acquire petroleum and natural gas assets and to satisfy debt obligations. The majority of capital spent will be funded through cash flow from operating activities. The Company enters into risk management contracts designed to improve risk-adjusted returns and to ensure adequate cash flow to fund the Company's capital program and maintain liquidity. The Company uses a combination of both financial and physical commodity price contracts. Contracts are initiated within the guidelines of the Company's risk management program and are not entered into for speculative purposes. The Company also has a 364 day revolving credit facility with a syndicate of Canadian chartered banks with a one year term out provision.

The following are the contractual maturities of financial liabilities as at March 31, 2008:

Financial liabilities	< 1 Year	1 – 2 Years	2 – 5 Years	Thereafter
Accounts payable and accrued liabilities	41,949	-	-	-
Bank debt – principal	-	89,500	-	-
Total	41,949	89,500	**-**	**-**

NOTE 9: CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Company is committed to future minimum payments for natural gas transmission and processing and operating leases on compression equipment and office space. The Company's extendible term credit facility is available on a revolving basis until April 30, 2008, the term-out date. The term out date may be extended for a further 364 day period upon approval by the banks. Following the term-out date, the facilities would be available on a non-revolving basis for a one year term. The annual credit review by the Company's lenders is ongoing. Management anticipates the $115.0 million production credit facility and $10.0 million development/acquisition credit facility will continue to be made available to the Company based on the year end reserves, particularly, due to the increase in the proved producing reserves. Without assuming the renewal of the credit facilities, payments required under these commitments for each of the next five years are: 2008-$3.2 million; 2009-$93.8 million; 2010-$4.3 million; 2011-$3.9 million; 2012-$2.5 million.