DELPHI ENERGY CORP.

PRESS RELEASE

300, 500 – 4th Avenue S.W. 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 FINANCIAL AND OPERATIONAL RESULTS FOR FIRST QUARTER 2012

CALGARY, ALBERTA – May 9, 2012 – Delphi Energy Corp. ("Delphi" or the "Company") is pleased to announce its financial and operational results for the quarter ended March 31, 2012.

First Quarter 2012 Highlights

- increased crude oil and natural gas liquids ("NGL's") production by 11 percent to 2,408 barrels per day, achieving average corporate production of 8,993 barrels of oil equivalent per day ("boe/d"), an increase of nine percent compared to the first quarter of 2011;
- changed the production mix to approximately 27 percent crude oil and NGL's in the first quarter of 2012 compared to 26 percent in the first quarter of 2011;
- reduced operating costs by eight percent to $6.24 per boe in the first quarter of 2012 from $6.77 per boe in the comparative quarter of 2011;
- generated funds from operations of $11.0 million;
- renewal of the Company's $145.0 million credit facilities was supported by the Company's reserves growth in the December 31, 2011 year end engineering report and the successful first quarter of 2012 capital program.
- drilled 5.0 (4.4 net) wells with an overall success rate of 100 percent;

Financial Highlights ($ thousands except per unit amounts)	Three Months Ended March 31		
	2012	2011	% Change
Petroleum and natural gas sales	**24,143**	28,900	(16)
Per boe	**29.18**	38.88	(25)
Funds from operations	**10,974**	15,061	(27)
Per boe	**13.26**	20.26	(35)
Per share – Basic	**0.08**	0.13	(38)
Per share – Diluted	**0.08**	0.13	(38)
Net earnings (loss)	**(15,915)**	962	-
Per boe	**(19.45)**	1.29	-
Per share – Basic	**(0.12)**	0.01	-
Per share – Diluted	**(0.12)**	0.01	-
Capital invested	**53,283**	34,297	55
Disposition of properties	**(11,585)**	(273)	4,144
Net capital invested	**41,698**	34,024	23
Acquisition of properties	**-**	87	(100)
Total capital invested	**41,698**	34,111	22

	March 31, 2012	December 31, 2011	% Change
Debt plus working capital deficiency [(1)]	**137,372**	95,632	44
Total assets	**459,088**	447,073	3
Shares outstanding (000's)			
Basic	**131,030**	131,000	-
Diluted	**141,635**	141,591	-

(1) excludes the fair value of financial instruments.

Operational Highlights

Production	Three Months Ended March 31 2012	2011	% Change
Crude oil (bbls/d)	**1,164**	1,102	6
Natural gas liquids (bbls/d)	**1,244**	1,072	16
Total crude oil and natural gas liquids	**2,408**	2,174	11
Natural gas (mcf/d)	**39,510**	36,509	8
Total (boe/d)	**8,993**	8,259	9

MESSAGE TO SHAREHOLDERS

The Company had an active first quarter with continued focus on its liquids-rich natural gas projects in its core areas of Bigstone and Wapiti. Corporate NGL yields have increased to 35 bbls per mmcf from 12.5 bbls per mmcf over the past three years. The successful horizontal Gething well has proven up a very exciting new play concept for the Company in the area, significantly improving on traditional vertical well development methods. The strong production test results with significant free condensate and NGL yields from the two Bigstone East Montney wells, with a third well recently successfully drilled but waiting on completion, provides visibility to a large project inventory of economic projects in the current commodity price environment.

Production during the first quarter of 2012 averaged 8,993 boe/d, an increase of nine percent compared to 8,259 boe/d in the first quarter of 2011. Delphi's crude oil and NGL's production increased by 11 percent to 2,408 boe/d compared to the first quarter of 2011. The Company closed the disposition of certain non-core assets producing approximately 217 boe/d (66 percent light oil), impacting production volume growth relative to the fourth quarter of 2011 production volumes of 9,317 boe/d (30 percent liquids). In addition, production additions from the capital program were minimal during the quarter as a result of the scheduled timing of completion operations as well as the timeline of the large-scale Montney facility construction project.

Net capital expenditures during the first quarter were $41.7 million, which primarily included the drilling of 5.0 (4.4 net) wells and the construction of the 100 percent owned Bigstone East Montney facility and gathering system. Funds flow in the first quarter of 2012 was $11.0 million or $0.08 per basic share, compared to $15.1 million or $0.13 per basic share in the comparative quarter of 2011. Field operating netbacks during the first quarter decreased 33 percent to $15.95 per boe primarily as a result of a 44 percent decrease in the Company's realized natural gas price to $2.60 per mcf.

Delphi continues to focus on reducing its operating costs, taking advantage of the Company's ownership in its gathering and processing infrastructure. Operating costs decreased during the first quarter 2012 to $6.24 per boe. Operating cost reductions in excess of $3.00 per boe over the past three years continue to contribute to efficient operating netbacks.

For the quarter ended March 31, 2012, the Company recognized approximately $0.5 million in realized gains on financial and physical hedging contracts. For the remainder of 2012, Delphi has approximately 53 percent of its natural gas production hedged at an average price of $3.05 per mcf and approximately 48 percent of its crude oil production protected by financial contracts at an average WTI price of US $98.50 per bbl, providing significant stability to the Company's cash flow.

The Company's syndicate of Lenders recently renewed its $145.0 million credit facility. At March 31, 2012, the Company had net debt of $137.4 million. On an annualized first quarter funds from operations basis, Delphi's net debt to cash flow ratio was 3.1:1. Net debt includes bank debt plus working capital deficiency excluding the fair value of financial instruments. The Company continues to pursue its strategy of non-core asset dispositions targeting an additional $25 million to $35 million by the end of 2012, resulting in a net debt target at December 31, 2012 of between $105 million to $115 million. Delphi is also evaluating its options to monetize a portion of the new Montney facility in conjunction with its feasibility study to integrate this new facility with its ownership in the existing 80 mmcf/d sweet natural gas processing facility to create a Montney processing facility that offers the lowest possible cost structure and best NGL recovery efficiencies for the Company.

Operations

Bigstone Montney

At Bigstone East, the 30 mmcf/d compression facility has been completed and is ready for start-up upon receipt of final EUB permitting. The new facility and infrastructure provides Delphi the capacity to fully develop the existing Bigstone East land base and generate processing revenue from excess capacity. The facility has been designed to be readily expanded

in 15 mmcf/d increments to handle increased Company and third party volumes. In the current commodity price environment and based on the well test data, the Montney production is expected to have field netbacks of $24.00 per boe.

The initial flow test results of the first two Bigstone East wells (1.75 net) have exceeded Delphi's expectations with free condensate yields of 50 to 60 bbls/mmcf and shallow-cut plant NGL yields of 30 to 35 bbls/mmcf.

The Company's first Montney horizontal well at Bigstone East (1.0 net) with a surface location of 1-19-60-22 W5M, was production tested at an average rate of 12.5 mmcf/d at a flowing pressure of 2,000 kPa over the final 24 hours of the four day flow period. The well was also producing approximately 770 bbls/d or 62 bbls/mmcf of free condensate at the end of the test, although 100 percent of the load fluid had not been recovered.

The second Bigstone East Montney well (0.75 net), with its surface located at 5-14-60-23 W5M, three miles (five kilometres) south west of the first Montney well was production tested at an average restricted rate of 10.3 mmcf/d over the final 24 hours of the four day flow period at a flowing pressure of 6,000 kPa. The well was also producing approximately 515 bbls/d or 50 bbls/mmcf of free condensate at the end of the test, although 100 percent of the load fluid hadn't been recovered.

A third horizontal well (100 percent Delphi) with its surface location also located at 5-14-59-23 W5M, is currently finishing up drilling operations after reaching a planned total depth of 5,119 metres with 2,238 metres of horizontal hole successfully drilled. Completion operations of this third Bigstone East well will commence after spring break-up. Dephi's three extended reach horizontal wells have efficiently evaluated six sections of land and with competitor drilling activity all around the Company's 18 gross (14.75 net) sections, the remaining 30 net Montney horizontal locations identified at Bigstone East have been largely de-risked. Drilling plans for the second half of 2012 will be determined after production data and well performance is gathered over spring break-up.

The Company had 1.7 net Montney drilling locations booked at Bigstone East in the GLJ independent engineering report at December 31, 2011 with associated proved and probable reserves of approximately 2.03 million boe.

At Bigstone West, the 9-4 Montney horizontal oil well has been producing for more than a month now and has a 30 day initial production rate of 220 boe/d (55 percent light oil and NGL's). Initial production performance is encouraging and consistent with initial discovery well production rates of other analogous Montney oil pools along trend. Technical work is progressing to optimize the drilling and completion operations to economically develop this new light oil discovery on the Company's 27 net sections at Bigstone West.

Bigstone Gething

The Company has actively drilled the Gething formation at Bigstone using vertical wells since acquiring the property in 2005. Technological advances in horizontal drilling and multistage fracturing has enabled the Company to take a different approach to exploiting this complex natural gas charged channel system. Although the Gething reservoir is not typically "tight" by resource play standards, the application of this technology is a much more effective way to increase the ultimate recovery of the natural gas in the reservoir, traditionally done through a greater number of vertical wells per section.

The 13-16 well (0.65 net) with its surface located at 3-16-60-23 W5M, was drilled and completed with a 10 stage fracture program successfully placed over an 879 metre horizontal section. After a two day test, the well had cleaned-up to a rate of 13.8 mmcf/d at a flowing pressure of 4,300 kPa. The well has been tied into Company owned and operated infrastructure and processed at the 80 mmcf/d Bigstone processing facility (26 percent Delphi owned) with production averaging approximately 4.6 mmcf/d over the first 30 days, with an NGL yield of approximately 25 bbls/mmcf. The Company has identified 20 follow-up locations.

Wapiti

During the first quarter, the Company drilled two vertical wells targeting liquids-rich natural gas in the Nikanassin and shallower Cretaceous intervals with completion operations scheduled for after spring break-up. Production from the Wapiti area was approximately 2,650 boe/d during the first quarter 2012 with an average NGL yield of 98 bbls/mmcf. The Company has an average working interest of 57 percent in 107 sections of land with regulatory approval to drill up to four wells per section

Outlook

Delphi's low cost structure, combined with a meaningful NGL and light oil product mix, and a favorable hedge position on its natural gas production, provides stable and attractive cash generating margins in the current environment. The Company will continue to rationalize certain non-core assets to maintain balance sheet strength and capital spending flexibility.

Production during the latter half of the second quarter is expected to increase materially with the start-up of the Bigstone East Montney facility. However, there are scheduled outages in the quarter at the SemCams K3 facility and the Devon Wapiti deep-cut facility.

On behalf of the Board of Directors and all the employees of Delphi, we would like to thank our shareholders for their continued support as we remain focussed on sustainable, capital efficient growth of the Company's production and reserve base while maintaining the financial strength and flexibility to take advantage of strategic opportunities.

CONFERENCE CALL AND WEBCAST

A conference call and webcast to review Q1, 2012 results is scheduled for 9:00 a.m. Mountain Time (11:00 a.m. Eastern Time) on Thursday, May 10, 2012. The conference call number is 1-800-355-4959 or 416-695-6616. A brief presentation by David Reid, President and CEO and Brian Kohlhammer, Senior VP Finance & CFO, will be followed by a question and answer period. The conference call will also be broadcast live on the internet and may be accessed through the Delphi Energy website at www.delphienergy.ca

A taped rebroadcast will be available until 6:00 p.m. Mountain Time, Thursday, May 17, 2012. To access the rebroadcast, dial 1-800-408-3053 or 905-694-9451. The passcode is 6254417. Delphi's first quarter 2012 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
Senior V.P. Finance & CFO

***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.

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.*

As per CSA Staff Notice 51-327 initial production test results should be considered preliminary data and such data is not necessarily indicative of long-term performance or of ultimate recovery.

Non-IFRS Measures*. The release contains the terms "funds from operations", "funds from operations per share", "net debt", "cash operating costs" and "netbacks" which are not recognized measures under IFRS. 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-IFRS measure and has been defined by the Company as net earnings plus the add back of non-cash items (depletion and depletion, accretion, stock-based compensation, deferred income taxes and unrealized gain/(loss) on financial instruments) and excludes the change in non-cash working capital related to operating activities and expenditures on decommissioning obligations. 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 IFRS. The Company has defined net debt as the sum of long term debt plus/minus working capital excluding the current portion of deferred income taxes and fair value of financial instruments. Net debt is used by management to monitor remaining availability under its credit facilities. Cash operating costs have been defined as the sum of operating expenses, transportation expense, general and administrative expenses and cash finance costs*

MANAGEMENT'S DISCUSSION AND ANALYSIS

(All tabular amounts are stated in thousands of dollars, except per unit amounts)

Management's discussion and analysis ("MD&A") 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 position and results of operations of the Company. Its focus is primarily a comparison of the financial performance for the three months ended March 31, 2012 and 2011 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes for the three months ended March 31, 2012 and the audited consolidated financial statements of the Company for the years ended December 31, 2011 and 2010 and the related MD&A of financial results as disclosure which is unchanged from such MD&A may not be repeated herein. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The reporting currency is the Canadian dollar. This discussion and analysis has been prepared as of May 8, 2012.

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 to the Canadian Securities Administrators' National Instrument 51-101 when boes are disclosed. Boes may be misleading, particularly if used in isolation.

This MD&A contains the terms "funds from operations", "funds from operations per share", "net debt", "cash operating costs" and "netbacks" which are not recognized measures under IFRS. 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-IFRS measure and has been defined by the Company as cash flow from operating activities before accretion on long-term debt, decommissioning expenditures and changes in non-cash working capital. 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 IFRS. The Company has defined net debt as the sum of long term debt plus/minus working capital excluding the current portion of the fair value of financial instruments. Net debt is used by management to monitor remaining availability under its credit facilities. Cash operating costs have been defined as the sum of operating expenses, transportation expense, general and administrative expenses and cash finance costs. Operating netbacks have been defined as revenue less royalties, transportation and operating costs. Cash netbacks have been defined as operating netbacks less interest and general and administrative costs. Netbacks are generally discussed and presented on a per boe basis.

DELPHI'S OPERATIONS

What is the nature of Delphi's business and where are its operations?

Delphi is a publicly-traded company with its corporate office in Calgary, Alberta, Canada. Delphi is engaged in the exploration for, development and production of crude oil and natural gas from properties and assets, located in Western Canada, in which it holds an interest. The Company's operations are primarily concentrated in the Deep Basin of North West Alberta, representing in excess of 90 percent of the Company's production. The Company has three primary core areas in the Deep Basin located at Bigstone, Hythe and Wapiti.

FIRST QUARTER 2012 ACCOMPLISHMENTS

What were the highlights of Delphi's operational and financial results the first quarter of 2012?

In the first quarter of 2012, the Company achieved the following:

- achieved average production of 8,993 barrels of oil equivalent per day ("boe/d"), an increase of nine percent compared to the first quarter of 2011;
- increased the liquids percentage of production to approximately 27 percent crude oil and natural gas liquids in the first quarter of 2012, up from 26 percent in the first quarter of 2011;
- reduced operating costs by eight percent to $6.24 per boe in the first quarter of 2012 from $6.77 per boe in the comparative quarter of 2011;
- realized $0.5 million in commodity risk management gains on natural gas physical and financial contracts; and
- achieved a 100 percent drilling success rate on 5 (4.4 net) wells drilled in the quarter.

Funds from operations in the first quarter of 2012 were $11.0 million or $0.08 per basic share and diluted share, compared to $15.1 million or $0.13 per basic share and diluted share in the comparative quarter in 2011. The decrease in funds from operations is due to a decrease in realized natural gas and natural gas liquids prices. The Company continues to focus on reducing operating costs by targeting production growth in its core areas. As a result of the Company's continued efforts and equalization adjustments, operating expenses have decreased $0.53 per boe to $6.24 per boe in the first quarter of 2012, an eight percent reduction from the comparative period in 2011.

In the first quarter of 2012, Delphi recognized approximately $0.2 million and $0.3 million in realized gains on financial and physical commodity risk management contracts, respectively.

In January 2012, the Company disposed of its non-operated light oil interests in the Hythe area and minor offsetting lands for net proceeds of approximately $11.0 million. Proceeds from the sale were used to fund the ongoing Bigstone Montney development.

At March 31, 2012, the Company had net debt of $137.4 million on total credit facilities of $145.0 million. On an annualized, first quarter funds from operations basis, Delphi's net debt to funds from operations ratio was 3.1:1. Net debt includes bank debt plus working capital deficiency excluding the fair value of financial instruments.

2012 OUTLOOK AND FORWARD-LOOKING INFORMATION

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 MD&A are made as of May 8, 2012 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's expectations for 2012 are based upon its projection of drilling plans, drilling success, facilities construction and production results and the estimated related revenues and associated costs of royalties, transportation expenses, operating costs, general and administrative expenses and interest costs. Commodity prices used in the determination of forecast revenues are based upon general economic conditions, commodity supply and demand forecasts and publicly available price forecasts. The Company continually monitors its forecast assumptions to ensure the stakeholders are informed of material variances from previously communicated expectations.

What are the Company's production expectations for 2012?

Delphi is presently not in a position to provide 2012 guidance. Production history from its Montney horizontal wells at Bigstone are required to appropriately forecast both natural gas production performance and wellhead condensate yields. This information is unavailable due to delays in the start-up of the Company's Bigstone East Montney processing facility.

Has Delphi undertaken any commodity price risk management for 2012 to mitigate the risk of volatility in its product pricing?

In light of the low natural gas prices over the past three years and a future outlook which has resulted in the forward price curve for natural gas to decrease based on the view that there is ample supply of natural gas with the development of the shale gas plays, particularly in the United States, Delphi has become more focused on protecting the downside of prices as opposed to locking in gains to be made on unusually high prices. Currently, Delphi has approximately 17.1 mmcf/d of its natural gas production at a predominantly AECO based average floor price of $3.14 per mcf for the remainder of 2012. Delphi continually monitors the variables affecting the price of natural gas and crude oil in order to ensure its capital program is in line with expected funds from operations. The following natural gas production is protected by commodity price fluctuations, in order to support the Company's funds from operations:

	2012
Production provided for (mmcf/d)	17.1
Percentage of natural gas production *	43%
Price floor (Cdn $/mcf)	$3.14

* based on 39.5 mmcf/d

CAPITAL PROGRAM AND NET DEBT LEVELS

What are the Company's forecast capital expenditures and net debt levels for 2012?

Historically, Delphi executes a winter capital program in excess of first quarter cash flow followed by at least one quarter of minimal activity prior to returning to the field with an active fall program. With the success of the Montney program thus far, the current plan is to continue drilling a third well on the East block through spring break-up then reassess the economic environment, the disposition program and Montney well results prior to making firm plans with respect to a second half of 2012 capital program.

Delphi continues to rationalize certain non-core assets with proceeds being redeployed into the 2012 capital program. During the first quarter of 2012, the Company completed the sale of non-core producing assets for net proceeds of $11.6 million and is targeting a further $25.0 million to $35.0 million in dispositions by the end of 2012. The Company is targeting net debt at December 31, 2012 to be between $105.0 million and $115.0 million.

FIRST QUARTER 2012 OPERATIONAL AND FINANCIAL RESULTS

BUSINESS ENVIRONMENT

What external factors of the business environment did the Company have to contend with in the first quarter of 2012?

The price the Company receives for its production volumes is a significant determinant of the Company's funds from operations. The table below outlines the changes in the various benchmark commodity prices and economic parameters which affect the prices received for the Company's production.

Benchmark Prices and Economic Parameters

	Three Months Ended March 31,		
	2012	2011	% Change
Natural Gas			
NYMEX (US $/mmbtu)	**2.45**	4.19	(42)
AECO (CDN $/mcf)	**2.15**	3.80	(43)
Crude Oil			
West Texas Intermediate (US $/bbl)	**102.94**	94.18	9
Edmonton Light (CDN $/bbl)	**92.13**	88.12	5
Foreign Exchange			
Canadian to U.S. dollar	**1.00**	0.99	1
U.S. to Canadian dollar	**1.00**	1.01	(1)

Natural Gas

The growth in natural gas supply continues to exceed the growth in natural gas demand in North America, leading to an excess supply situation and lower natural gas commodity prices. AECO averaged $2.15 per mcf in the first quarter of 2012, 43 percent lower than the comparative period in 2011 and 33 percent lower than the fourth quarter of 2011.

Crude Oil

WTI averaged U.S. $102.94 per barrel in the first quarter of 2012, an increase of nine percent over the first quarter of 2011. The increased price was offset by the widening basis differential; therefore, Canadian prices were only five percent higher in the first quarter of 2012 over the comparative period of 2011. Edmonton light averaged $92.13 per barrel in the first quarter of 2012 versus $88.12 per barrel in the comparative period in 2011.

Canadian/United States Exchange Rate

The value of the Canadian dollar against its U.S. counterpart continues to hold its strength in 2012. As a producer of crude oil, a stronger Canadian dollar has a negative effect on the price received for production. The average Cdn/US

exchange rate for the three months ended March 31, 2012 was $1.00. This negative effect to the price of oil for Canadian producers was further impacted by the widening basis differential between U.S. and Canadian markets.

DRILLING OPERATIONS

How active was Delphi in its drilling program in the first quarter of 2012 and where was the drilling focused?

Delphi had another successful capital program in the first quarter of 2012, drilling 5 gross (4.4 net) wells with a success rate of 100 percent. The drilling was primarily focused on the Bigstone Montney and Gething development.

In light of continued low natural gas prices, the Company focused the majority of its efforts on drilling light oil and liquids-rich natural gas opportunities.

	Three Months Ended March 31, 2012	
	Gross	**Net**
Liquids rich natural gas (>40 bbl/mmcf NGL content)	**4.0**	**3.8**
Natural gas (>20 bbl/mmcf < 40 bbl/mmcf NGL content)	**1.0**	**0.7**
Natural gas (<20 bbl/mmcf NGL content)	**-**	**-**
Total wells	**5.0**	**4.4**
Success rate (%)	**100**	**100**

CAPITAL INVESTED

How much did the Company spend in the first quarter of 2012 and where were the capital expenditures incurred?

The Company continued to direct its capital program at its core areas in North West Alberta to take advantage of the multi-zone nature of these assets, low production operating costs and quick on-stream capability associated with owned gathering and processing infrastructure.

Total capital invested in the first quarter of 2012 was $53.2 million which was primarily directed toward the Bigstone Montney and Gething drilling program. In the first quarter of 2012, Delphi commenced the construction of its Bigstone Montney facility which has the capacity to handle 30 mmcf/d of natural gas and capacity to store 3,000 barrels of field condensate.

During the first quarter of 2012, Delphi closed the disposition of its non-operated light oil interests in the Hythe area and minor offsetting lands for net proceeds of approximately $11.0 million. Production associated with the disposition was approximately 217 boe/d (66 percent light oil), based on fourth quarter 2011 production volumes. Proceeds from the sale were used to fund the ongoing Bigstone Montney development.

As of March 31, 2012, Delphi has a total of 44 sections (41.7 net) of land on two separate blocks which are prospective for liquids-rich natural gas in the Montney formation, situated at its core area of Bigstone located within the Deep Basin of North West Alberta.

	Three Months Ended March 31,		
	2012	2011	% Change
Land	**43**	232	(81)
Seismic	**42**	-	-
Drilling, completions and equipping	**36,395**	26,477	37
Facilities	**16,100**	6,653	142
Capitalized expenses	**702**	711	(1)
Other	**1**	224	(100)
Capital invested	**53,283**	34,297	55
Disposition of properties	**(11,585)**	(273)	4,144
Net capital invested	**41,698**	34,024	23
Acquisition of properties	**-**	87	(100)
Total capital invested	**41,698**	34,111	22

PRODUCTION

What factors contributed to the growth in production volumes and the success in growing oil and natural gas liquids volumes?

Production volumes for the three months ended March 31, 2012 averaged 8,993 boe/d, representing an increase of nine percent over the comparative period. Crude oil and natural gas liquids production volumes increased six percent and 16 percent, respectively, over the comparative period in 2011. The increase in the crude oil and natural gas liquids volume in the first quarter of 2012 compared to the same period in 2011 is a direct result of the Company's successful drilling program targeted at crude oil and liquids-rich natural gas plays. Early in the quarter, the Company disposed of approximately 217 boe/d (66% light oil).

Production volumes from a majority of the first quarter capital program are not included in the first quarter production statistics due to only 1.6 net wells coming on-stream very late in the quarter.

Delphi's production portfolio for the first quarter of 2012 was weighted 13 percent to crude oil, 14 percent to natural gas liquids and 73 percent to natural gas.

	Three Months Ended March 31,		
	2012	2011	% Change
Crude oil (bbls/d)	**1,164**	1,102	6
Natural gas liquids (bbls/d)	**1,244**	1,072	16
Total crude oil and natural gas liquids	**2,408**	2,174	11
Natural gas (mcf/d)	**39,510**	36,509	8
Total (boe/d)	**8,993**	8,259	9

A significant undeveloped land base, multi-zone potential and the successful application of emerging technologies continue to provide material growth opportunities in existing and new play concepts.

REALIZED SALES PRICES

What were the sales prices realized by the Company for each of its products?

For the three months ended March 31, 2012, Delphi's realized natural gas price decreased by 44 percent when compared to the same period in 2011. This decrease in realized natural gas prices is primarily the result of a 43 percent decrease in the average daily AECO index and a reduction in realized gains on physical and financial commodity risk management contracts. This decrease was partially offset by an increase in the premium received for Delphi's natural gas due to its high heating content.

Realized crude oil prices were seven percent higher in the three months ended March 31, 2012, compared to the same period in 2011. The improvement is primarily due to an increase in Canadian Benchmark crude prices and a decrease in realized losses on financial commodity risk management contracts. In 2011, Delphi had a call option as part of a commodity swap. The value of the call, at the time it was undertaken, was used to purchase a higher price on a natural gas contract.

Natural gas liquids prices for the three months ended March 31, 2012 were 17 percent lower than in the same period in 2011. The fluctuation in pricing is primarily as a result of market prices received for propanes and ethanes and a change in production of natural gas liquids, relative to the comparative period.

	Three Months Ended March 31,		
	2012	2011	% Change
AECO ($/mcf)	**2.15**	3.80	(43)
Heating content and marketing ($/mcf)	**0.32**	0.17	88
Gain on physical contracts ($/mcf)	**0.07**	0.50	(86)
Gain on financial contracts ($/mcf)	**0.06**	0.15	(60)
Realized natural gas price ($/mcf)	**2.60**	4.62	(44)
Edmonton Light ($/bbl)	**92.13**	88.12	5
Gain (loss) on financial contracts ($/bbl)	**-**	(2.43)	-
Quality differential ($/bbl)	**0.01**	0.60	(98)
Realized oil price ($/bbl)	**92.14**	86.29	7
Realized natural gas liquids price ($/bbl)	**44.84**	54.18	(17)
Total realized sales price ($/boe)	**29.76**	39.23	(24)

How do the realized natural gas prices compare to the benchmark AECO pricing?

Excluding commodity risk management 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 7.6 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 its natural gas price compared to the average quarterly AECO price due to the risk management program, quality of production and gas marketing arrangements. In years of both high and low commodity price environments, Delphi's realized sales price has been a premium to AECO.

	Mar. 31 2012	Dec. 31 2011	Sept. 30 2011	Jun. 30 2011	Mar. 31 2011	Dec. 31 2010	Sept. 30 2010	Jun. 30 2010
Natural Gas Price								
Delphi realized ($/mcf)	**2.60**	4.19	4.64	4.76	4.62	5.00	5.28	5.30
AECO average ($/mcf)	**2.15**	3.20	3.65	3.87	3.80	3.64	3.54	3.89
Premium to AECO	**21%**	31%	27%	23%	22%	37%	49%	36%
Realized gain on commodity contracts ($000's)	**470**	2,669	2,306	2,142	2,126	4,045	4,676	4,186

RISK MANAGEMENT ACTIVITIES

What is Delphi's risk management strategy and what contracts are in place to mitigate the risk of price volatility?

Delphi enters into both financial and physical commodity contracts as part of its risk management program to manage commodity price fluctuations designed to ensure sufficient cash is generated to fund its capital program particularly when commodity prices are extremely volatile. For natural gas production, Delphi has approximately 17.1 mmcf/d of its before-royalty natural gas production at a predominately AECO based average floor price of $3.14 per mcf for the remainder of 2012.

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 and crude oil 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. Natural gas physical commodity sale contracts based in U.S. dollars include an embedded derivative associated with the foreign exchange rate. Due to this derivative, the changes in the fair value of these contracts are also included in the statement of earnings.

The Company has fixed the price applicable to production volumes through the following contracts:

Time Period	Commodity	Type of Contract	Quantity Contracted	Contract Price ($/unit)
January 2012 – December 2012 [(1)]	Natural Gas	Physical	2,500 GJ/d	$4.50 call
April 2012 – October 2012	Natural Gas	Physical	1,000 mmbtu/d	U.S. $4.96 fixed
April 2012 – October 2012	Natural Gas	Physical	2,000 GJ/d	$4.06 fixed
April 2012 – December 2012	Natural Gas	Physical	2,000 mmbtu/d	U.S. $3.21 fixed
January 2012 – December 2012 [(2)]	Natural Gas	Financial	3,000 GJ/d	$4.50 call
March 2012 – December 2012 [(3)]	Natural Gas	Financial	7,500 GJ/d	$2.65 fixed
April 2012 – December 2012	Natural Gas	Financial	6,000 GJ/d	$2.88 fixed
May 2012 – December 2012	Natural Gas Liquid	Financial	200 bbls/d	$39.85 fixed
March 2012 – December 2012 [(3)]	Crude Oil	Financial	500 bbls/d	U.S. $110.00 call
May 2012 – December 2012	Crude Oil	Financial	250 bbls/d	U.S. $100.00 floor U.S. $108.25 ceiling
May 2012 – December 2012[(4)]	Crude Oil	Financial	250 bbls/d	U.S. $100.00 put
January 2013 – December 2013 [(5)]	Crude Oil	Financial	600 bbls/d	U.S. $90.00 call

(1) The Company acquired a natural gas contract at $4.12 per gigajoule on 2,500 gigajoules per day for the period January 1, 2011 through December 31, 2011. The contract was paid for with the sale of a natural gas call on 2,500 gigajoules per day at a price of $4.50 per gigajoule for the period January 1, 2012 through December 31, 2012.

(2) The Company acquired a natural gas put contract at $4.00 per gigajoule on 3,000 gigajoules per day for the period January 1, 2011 through December 31, 2011. The put was paid for with the sale of a natural gas call on 3,000 gigajoules per day at a price of $4.50 per gigajoule for the period January 1, 2012 through December 31, 2012.

(3) The Company acquired a natural gas contract at $2.65 per gigajoule on 7,500 gigajoules per day for the period March 1, 2012 through December 31, 2012. The contract was paid for with the sale of a crude oil call on 500 barrels per day at a price of U.S. $110.00 WTI per barrel for the period March 1, 2012 through December 31, 2012.

(4) The Company acquired a crude oil put contract at $100.00 per barrel on 250 barrels per day for the period May 1, 2012 through December 31, 2012. The put has a cost of U.S. $2.96 per barrel.

(5) The Company acquired a natural gas contract at $5.69 per gigajoule on 6,810 gigajoules per day for the period April 1, 2011 through December 31, 2011. The contract was paid for with the sale of a crude oil call on 600 barrels per day at a price of U.S. $90.00 WTI per barrel for the period January 1, 2011 through December 31, 2012. Delphi has deferred this crude oil call to January 1, 2013 through December 31, 2013.

The fair value of the commodity risk management contracts outstanding as at March 31, 2012 is estimated to be a loss of approximately $2.2 million, primarily due to the outstanding crude oil financial contracts. In the first quarter of 2012, Delphi recognized an unrealized gain on its commodity risk management contracts of $1.0 million, primarily due to the natural gas financial contracts it has outstanding as of March 31, 2012. The unrealized gain recognized in the quarter is the difference between the fair value of the commodity risk management contracts outstanding as at March 31, 2012 and that of December 31, 2011.

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 year 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 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

How do revenues the first three months of 2012 compare to 2011 and what factors contributed to the change?

Delphi generated revenue of $24.1 million in the three months ended March 31, 2012 compared to $28.9 million generated in the comparative period in 2011. The reduction in revenues is primarily due to a decrease in realized natural gas sales prices and a decrease in natural gas physical commodity risk management contract gains, partially offset by higher production volumes and crude oil realized prices. For the first quarter of 2012, crude oil and natural gas liquids contributed to 61 percent of total revenues compared to 49 percent in the same period in 2011.

	Three Months Ended March 31,		
	2012	2011	% Change
Natural gas	**8,866**	13,043	(32)
Natural gas physical contract gains	**253**	1,622	(84)
Crude oil	**9,761**	8,802	11
Natural gas liquids	**5,077**	5,227	(3)
Sulphur	**186**	206	(10)
Total	**24,143**	28,900	(16)

ROYALTIES

What were royalty costs in the first three months of 2012?

For the first quarter of 2012, royalties totaled $4.0 million compared to $4.3 million in the same period in 2011. The decrease in royalties is primarily a result of lower crown royalties and an increase in royalty credits partially offset by an increase in gross overriding royalties. Crown royalties decreased by 18 percent primarily as a result of weakening natural gas prices, partially offset by higher crude oil prices. Gross overriding royalties in the first quarter of 2012 increased in comparison to the same period in 2011 primarily as a result of the Company granting an overriding royalty on certain lands in the Hythe area in the third quarter of 2011.

	Three Months Ended March 31,		
	2012	2011	% Change
Crown royalties	**3,771**	4,584	(18)
Royalty credits	**(1,471)**	(1,393)	6
Crown royalties – net	**2,300**	3,191	(28)
Gross overriding royalties	**1,740**	1,078	61
Total	**4,040**	4,269	(5)
Per boe	**4.94**	5.74	(14)

What were the average royalty rates paid on production in the first three months of 2012?

The average royalty rates were higher than the comparative period. For the three months ended March 31, 2012, gross overriding royalty rates increased by 83 percent as a result of an increase in the number of wells encumbered by an overriding royalty. Crown royalty rates decreased by 18 percent in the first quarter of 2012 compared to the same period in 2011, primarily as a result of weakening natural gas prices which directly impact Crown royalty rates.

	Three Months Ended March 31,		
	2012	2011	% Change
Crown rate – net of royalty credits	**9.6%**	11.7%	(18)
Gross overriding rate	**7.3%**	4.0%	83
Average rate	**16.9%**	15.7%	8

The royalty rate calculations above exclude gains or losses on risk management activities from revenue as the denominator.

OPERATING EXPENSES

How has the Company been able to reduce its operating expenses in the first quarter of 2012 as compared to 2011?

Production costs for the three months ended March 31, 2012 increased nine percent compared to the same period in 2011. The increase in production costs in the first quarter of 2012 is a result of the increase in the Company's production. On a per boe basis, production costs, net of processing income, have decreased by eight percent as a result of higher production volumes and increased processing income.

Delphi earns processing income for third party production volumes going through facilities owned by the Company. The processing income represents a reduction of the Company's costs to operate these facilities and hence is deducted in determining operating expenses. Processing income indicates the Company has excess capacity at its facilities which it can access to handle growth in its production volumes. Processing income increased 72 percent in the three months ended March 31, 2012, compared to the same period in 2011.

	Three Months Ended March 31,		
	2012	2011	% Change
Production costs	**6,163**	5,648	9
Processing income	**(1,059)**	(615)	72
Total	**5,104**	5,033	1
Per boe	**6.24**	6.77	(8)

TRANSPORTATION EXPENSES

	Three Months Ended March 31,		
	2012	2011	% Change
Total	**2,158**	2,212	(2)
Per boe	**2.64**	2.97	(11)

What factors contributed to the change in transportation costs in the first quarter of 2012?

Transportation expenses for the three months ended March 31, 2012 are comparable to the same period in 2011. On a per boe basis, transportation expenses decreased, primarily as a result of the increase in production.

GENERAL AND ADMINISTRATIVE

	Three Months Ended March 31,		
	2012	2011	% Change
Gross expenses	**2,733**	2,653	3
Overhead recoveries	**(602)**	(451)	34
Salary allocations	**(890)**	(994)	(10)
General and administrative expenses	**1,241**	1,208	3
Per boe	**1.52**	1.63	(7)

How do general and administrative costs in the first quarter of 2012 compare to 2011?

General and administrative ("G&A") expenses (after recoveries and allocations) for the three months ended March 31, 2012 were $1.2 million ($1.52/boe) compared to $1.2 million ($1.63/boe) for the same period in 2011. Gross costs in the first quarter of 2012 are comparable to the same period in 2011. Overhead recoveries in the first quarter of 2012 have increased 34 percent when compared to the same period in 2011. The increase in recoveries is consistent with the Company's capital expenditures. On a per boe basis, G&A expenses have decreased seven percent, due to a combination of increased overhead recoveries and production.

Delphi is committed to delivering strong growth and believes a strong team is paramount to achieve this goal.

SHARE-BASED COMPENSATION

What is share-based compensation expense?

Share-based compensation expense is the amortization over the vesting period of the fair value of stock options and restricted share units granted to employees, directors and key consultants of the Company. The fair value of restricted share units is based on the Company's share price. The fair value of all options granted is estimated at the date of grant using the Black-Scholes option pricing model.

	Three Months Ended March 31,		
	2012	2011	% Change
Share-based compensation	**708**	180	292
Capitalized costs	**(336)**	(14)	2,291
Net	**372**	166	124
Per boe	**0.45**	0.22	106

The share-based non-cash compensation expense for the three months ended March 31, 2012, increased 124 percent over the comparative period, primarily due to options granted subsequent to the first quarter of 2011. In the first quarter of 2012, Delphi granted 185,000 options with a weighted average fair value of $0.82 per option. During the three months ended March 31, 2012, Delphi capitalized $0.3 million of share-based compensation expense.

Included in share-based compensation for the three months ended March 31, 2012 is $19,000 of expense related to the Company's outstanding restricted share units.

FINANCE COSTS

	Three Months Ended March 31,		
	2012	2011	% Change
Interest	**843**	1,380	(39)
Accretion and finance lease charges	**134**	141	(5)
Total finance costs	**977**	1,521	(36)
Interest per boe	**1.03**	1.86	(45)
Non-cash finance charges per boe	**0.16**	0.19	(16)

How do the costs of borrowing compare against the comparative period?

For the first quarter of 2012, interest costs decreased 39 percent when compared to the same period in 2011. Interest costs associated with the Company's long-term debt decreased as a result of a lower average debt balance in the three months of 2012 when compared to the same period in 2011 and slightly lower interest rates charged on the Company's outstanding debt.

As at March 31, 2012, Delphi's bankers' acceptances have terms ranging from 90 to 182 days and a weighted average effective interest rate of 4.04 percent over the term.

What are accretion and finance lease charges and how do these expenses for the first quarter of 2012 compare to 2011?

Accretion and finance lease charges are comprised of accretion expense on the Company's decommissioning obligations and the implicit interest rate on the Company's finance lease obligation.

	Three Months Ended March 31,		
	2012	2011	% Change
Accretion	**107**	141	(24)
Finance charge on finance lease obligation	**27**	-	-
Total	**134**	141	(5)
Accretion per boe	**0.13**	0.18	(28)
Finance charge on finance lease obligation per boe	**0.03**	-	-

The accretion of decommissioning obligations is an expense that 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 one to 20 years. The Company used a risk-free interest rate of 2.11 percent for the purpose of calculating the fair value of its decommissioning obligations and hence the accretion expense for the three months ended March 31, 2012. This compares to a risk-free interest rate of 3.35% used to calculate the fair value of its decommissioning obligations and accretion expense for the first quarter of 2011.

The finance charge on the Company's finance lease is calculated based on the implicit interest rate in the lease.

DEPLETION, DEPRECIATION AND IMPAIRMENT

Has the Company's depletion and depreciation rate and expense changed in the first quarter of 2012 compared to the first quarter of 2011?

Depletion and depreciation before impairment loss per boe for the three months ended March 31, 2012 increased 22 percent, over the comparative period. The depletion and depreciation expense increased as a result of higher production volumes and a higher depletion rate.

Due to the decrease in the forward price curve for natural gas as at April 1, 2012 compared to January 1, 2012, the Company carried out impairment tests on its cash-generating units ("CGUs"). Delphi recognized an impairment charge of $21.0 million related to its Hythe, Berland River, Miscellaneous Alberta and British Columbia CGUs. The impairments were based on the difference between the period end carrying value of the CGU's and the recoverable amount. The recoverable amounts were determined using a fair value less costs to sell methodology with the expected future cash flows based on proved and probable reserves using pre-tax discount rates of 8 to 12 per cent.

	Three Months Ended March 31,		
	2012	2011	% Change
Depletion and depreciation	**12,953**	10,601	22
Impairment loss	**21,000**	-	-
Total	**33,953**	10,601	220
Depletion and depreciation per boe	**15.83**	14.26	11
Impairment loss per boe	**25.66**	-	-

INCOME TAXES

What was the effect on deferred income taxes as a result of the loss for the period?

Delphi recorded a deferred income tax recovery of $4.3 million for the three months ended March 31, 2012. Deferred taxes arise from differences between the accounting and tax bases of the Company's assets and liabilities. Delphi does not anticipate it will be cash taxable before 2014.

	Three Months Ended March 31,		
	2012	2011	% Change
Deferred tax (recovery) expense	**(4,272)**	211	(2,125)
Per boe	**(5.22)**	0.28	(1,964)

FUNDS FROM OPERATIONS

What are funds from operations and why is it a key performance measure?

Funds from operations is a non-IFRS measure that has been defined by the Company and is used as a measure to analyze performance. Delphi considers funds from operations 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 calculated as cash flow from operating activities before accretion on long-term debt, decommissioning expenditures and changes in non-cash working capital.

How do cash flow from operating activities and funds from operations in the first three months of 2012 compare to 2011?

Delphi's cash flow from operating activities of $8.3 million for the three months ended March 31, 2012 decreased 31 percent from the $12.0 million generated in the same period in 2011. Delphi generated funds from operations of $11.0 million for the three months ended March 31, 2012, down 27 percent from the $15.1 million for the same period in 2011. The decrease in cash flow from operating activities and funds from operations for the first quarter of 2012 compared to the first quarter of 2011 was primarily the result of the continuation of the weakening sales price for natural gas, partially offset by a decrease in interest expense as the Company's average debt balance for the first quarter of 2012 is lower in comparison to the same period in 2011.

	Three Months Ended March 31,		
	2012	2011	% Change
Cash flow from operating activities	**8,262**	12,018	(31)
Accretion of long-term debt	**206**	(463)	-
Decommissioning expenditures	**413**	-	-
Change in non-cash working capital	**2,093**	3,506	(40)
Funds from operations	**10,974**	15,061	(27)

NET EARNINGS

What factors contributed to the loss for the first three months of 2012?

For the first quarter of 2012, Delphi recorded a net loss of $15.9 million ($0.12 per basic share), down from the $1.0 million net earnings ($0.01 per basic share) recorded in the same period in 2011. Although the Company's realized natural gas and natural gas liquids sale prices have decreased, Delphi's successful efforts to increase the crude oil and natural gas liquids production mix has softened the impact of the deteriorating natural gas market price. The net loss for the first quarter of 2012 compared to the net earnings in the same period in 2011 is primarily due to a non-cash $21.0 million impairment on its oil and gas properties partially offset by a $4.5 million increase in deferred income tax recovery.

NETBACK ANALYSIS

How do Delphi's netbacks achieved in the first quarter of 2012 compare to the prior period?

Delphi's production is predominantly natural gas; therefore, the Company's operating and cash netbacks are primarily driven by the price received for natural gas. Delphi continues to focus its drilling in crude oil and liquids-rich natural gas plays in order to mitigate the weakening natural gas price and to strengthen its cash flow netback per boe.

For the first quarter of 2012, Delphi's cash netback per boe was 34 percent lower compared to the same period in 2011. The decrease is primarily due to a 24 percent decrease in the realized sales price for the Company's commodities. The decrease in realized sales price was partially offset by a reduction in expenses as a result of an increase in production volumes and the Company's efforts to concentrate its drilling program in its core areas in order to realize efficiencies.

	Three Months Ended March 31,		
	2012	2011	% Change
Barrels of oil equivalent ($/boe)			
Realized sales price	**29.76**	39.23	(24)
Royalties	**4.94**	5.74	(14)
Operating expenses	**6.24**	6.77	(8)
Transportation	**2.64**	2.97	(11)
Operating netback	**15.95**	23.75	(33)
General and administrative expenses	**1.52**	1.63	(7)
Interest	**1.03**	1.73	(40)
Cash netback	**13.40**	20.39	(34)
Unrealized loss/(gain) on commodity risk contracts	**(1.24)**	4.33	(129)
Stock-based compensation expense	**0.45**	0.22	106
Gain on dispositions	**(2.79)**	(0.37)	660
Depletion and depreciation	**41.49**	14.26	191
Accretion and finance lease charges	**0.16**	0.19	(14)
Deferred income taxes (recovery)	**(5.22)**	0.28	(1,964)
Net earnings (loss)	**(19.45)**	1.29	(1,608)

SELECTED INFORMATION

Over the past two years, how has Delphi performed and what significant factors contributed to the results?

Over the last eight quarters, average production has grown from 8,035 boe/d to 8,993 boe/d. In 2010, the Company continued to be successful in its drilling program and focused on light oil and liquids-rich natural gas opportunities. For the 2010 fourth quarter, the company produced an average of 8,539 boe/day, an increase of twenty four percent over the same period in 2009. In the first quarter of 2011, production decreased to 8,259 boe/d as a result of natural declines in production and an outage at a non-operated processing facility resulting in the shut-in of 550 boe/d for 22 days in the quarter. Record production in the fourth quarter of 2011 of 9,337 boe/d was a result of another successful drilling program. Due to the continued deterioration of the natural gas price environment, the Company completed a strategic disposition of its non-operated light oil interests in the Hythe area and minor offsetting lands in order to develop its assets in the Bigstone Montney formation. Production for the first quarter of 2012 averaged 8,993 boe/d, a reduction from the fourth quarter of 2011 as a result of the disposition and natural declines.

Over the past two years, the changes in revenue and funds from operations from quarter to quarter primarily reflect the increased production volumes achieved, change in production product mix and the volatility of commodity prices.

Natural gas prices over the past two years have generally reflected the cyclical nature of demand. Higher prices have been realized in the winter months, reflecting demand for heating with lower prices through the summer months as production is placed in storage for the upcoming heating season demand. The average spot price for AECO in 2010 was $4.00 per mcf and in 2011, the average spot price for AECO was $3.63 per mcf. In the first quarter of 2012, the average spot price for AECO was $2.15 per mcf, the lowest average price in ten years. In 2010, WTI crude oil averaged U.S. $79.55, while in first half of 2011, crude oil prices increased exceeding U.S. $100 but withdrew in the second half of 2011. The average oil price in 2011 was U.S. $95.12. In the first quarter of 2012, WIT crude oil averaged U.S. $102.93 per barrel.

Net earnings of the Company are primarily driven by the difference between the cash netback realized per boe of production versus the Company's depletion, depreciation and amortization ("DD&A") rate. Overall finding and development ("F&D") costs were $14.83 per proved plus probable boe in 2010 and $12.37 per proved plus probable reserve in 2011.

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

	Mar. 31 2012	Dec. 31 2011	Sept. 30 2011	Jun. 30 2011	Mar. 31 2011	Dec. 31 2010	Sep. 30 2010	Jun. 30 2010
Production								
Oil (bbls/d)	1,164	1,436	1,395	1,346	1,102	1,147	831	1,074
Natural gas liquids (bbls/d)	1,244	1,405	1,074	1,317	1,072	906	710	538
Natural gas (mcf/d)	39,510	38,973	38,989	37,460	36,509	38,918	39,439	38,540
Barrels of oil equivalent (boe/d)	8,993	9,337	8,967	8,906	8,259	8,539	8,114	8,035
Financial								
($ thousands except per share amounts)								
Crude oil and natural gas sales	24,143	33,115	32,194	32,678	28,900	29,792	26,554	27,970
Funds from operations	10,974	17,081	17,213	17,517	15,061	17,868	14,988	12,507
Per share – basic	0.08	0.14	0.15	0.15	0.13	0.16	0.13	0.12
Per share – diluted	0.08	0.14	0.14	0.15	0.13	0.16	0.13	0.12
Net earnings (loss)	(15,915)	825	4,058	5,757	962	1,744	(20,472)	(131)
Per share – basic	(0.12)	0.01	0.03	0.05	0.01	0.02	(0.18)	-
Per share – diluted	(0.12)	0.01	0.03	0.05	0.01	0.02	(0.18)	-

LIQUIDITY AND CAPITAL RESOURCES

Share Capital

What has been the market activity in the Company's common shares?

At March 31, 2012, the Company had 131.0 million common shares outstanding (December 31, 2011 – 131.0 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, 2012:

	Three Months Ended March 31, 2012
Weighted Average Common Shares	
Basic and diluted	131,027
Trading Statistics [1]	
High	2.23
Low	1.41
Average daily volume	327,005

[1] Trading statistics based on closing price

How many common shares and stock options are currently outstanding?

As at May 2, 2012, the Company had 131.0 million common shares outstanding and 10.6 milllion share options outstanding. The share options have an average exercise price of $1.89 per option.

Sources and Uses of Funds

	Three Months Ended March 31, 2012
Sources:	
Cash and cash equivalents	**1,548**
Funds from operations	**10,974**
Disposition of petroleum and natural gas properties	**11,585**
Exercise of stock options	**20**
Change in non-cash working capital	**14,558**
	38,685
Uses:	
Capital expenditures	**(53,283)**
Accretion of long term debt	**(206)**
Finance lease obligation	**(67)**
Expenditures on decommissioning	**(413)**
	(53,969)
Change in long term debt	**15,284**

Bank Debt plus Working Capital Deficiency (Net Debt)

What is liquidity risk and how does the Company manage this risk?

Liquidity risk is the risk that Delphi will not be able to meet its financial obligations as they become due. Delphi actively manages its liquidity through daily and longer-term cash, debt and equity management strategies. Such strategies encompass, among other factors: having adequate sources of financing available through its bank credit facilities, estimating future cash generated from operations based on reasonable production and pricing assumptions, analysis of economic risk management opportunities, and maintaining sufficient cash flows for compliance with financial debt covenants.

As an oil and gas business, Delphi has a declining asset base and therefore relies on ongoing development and acquisitions to replace production and add additional reserves. Future oil and natural gas production and reserves are highly dependent on the success of exploiting the Company's existing asset base and in acquiring additional reserves. To the extent Delphi is successful or unsuccessful in these activities; cash flow could be increased or reduced.

Delphi generally relies on operating cash flows and its credit facilities to fund capital requirements and provide liquidity. Future liquidity depends primarily on cash flow generated from operations, existing credit facilities and the ability to access debt and equity markets. From time to time, the Company accesses capital markets to meet its additional financing needs and to maintain flexibility in funding its capital programs. There can be no assurance that future debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Delphi.

How much bank debt was outstanding on March 31, 2012?

At March 31, 2012, the Company had $79.5 million outstanding in the form of bankers' acceptances, $18.0 million drawn under Canadian-based prime loans and a working capital deficiency of $39.9 million for total net debt of $137.4 million. Net debt is a non-IFRS term. Delphi's calculation of net debt includes long-term debt and the net working capital deficiency (surplus) before the current fair value of financial instruments.

What are the Company's credit facilities and when is the next scheduled review of the borrowing base?

The Company's credit facility has recently been renewed by its lenders. The $145.0 million extendible revolving term credit facility with a syndicate of Canadian chartered banks is subject to the banks' semi-annual valuation of the Company's crude oil and natural gas properties. The facility is a 364 day committed facility available on a revolving basis until May 27, 2013 at which time it may be extended at the lenders' option. If the revolving period is not extended, the undrawn portion of the facility will be cancelled and the amount outstanding will convert to a 365 day non-revolving term facility. The amounts outstanding under the non-revolving facility are required to be repaid at the end of the non-revolving term being May 28, 2014. The non-extension provisions are applicable to the lenders on an individual basis.

Interest payable on amounts drawn under the facility is at the prevailing bankers' acceptance rates plus stamping fees, lenders' prime rate, US base rate or LIBOR plus the applicable margins, depending on the form of borrowing by the Company. The applicable margins and stamping fees are based on a sliding scale pricing grid tied to the Company's trailing debt to annualized quarterly cash flow ratio: from a minimum of the bank's prime rate or US base rate plus 1.00 percent to a maximum of the bank's prime rate or US base rate plus 2.50 percent or from a minimum of bankers' acceptances rate plus a stamping fee of 2.00 percent to a maximum of bankers' acceptances rate plus a stamping fee of 3.50 percent.

Under the terms of the credit facility, the Company covenants that it will maintain a working capital ratio of at least one to one. For the purpose of this ratio, the undrawn portion of the credit facility is added to current assets in the working capital calculation. The credit facility is secured by a $200.0 million demand floating charge debenture and a general security agreement over all assets of the Company. Delphi is in compliance with the covenants of its credit facility as at March 31, 2012.

Contractual Obligations

Does the Company have any contractual obligations as at March 31, 2012 that will require funding in future years?

The Company is committed to future minimum payments for natural gas transmission and processing and operating leases on compression equipment. In March of 2012, the Company entered into an arrangement to lease a compressor for one year with a commitment to purchase at the end of the term for $1.6 million. The Company also has a lease for office space in Calgary, Alberta. As noted above, bank debt is based on a revolving term which is reviewed annually and converts to a 365 day non-revolving term facility if not renewed.

As a result of the flow-through shares issued on December 23, 2011, Delphi was committed to incur approximately $8.0 million in qualifying Canadian exploration expenses on or before December 31, 2012. As of March 31, 2012, this commitment has been satisfied.

The following are the contractual obligations as at March 31, 2012:

	2012	2013	2014	2015	2016
Gathering, processing and transmission	3,465	3,830	3,178	3,150	-
Office and equipment lease	1,930	631	509	509	522
Finance lease	305	1,642	-	-	-
Bank debt	-	-	98,000	-	-
Total	5,700	6,103	101,687	3,659	522

GUARANTEES AND OFF-BALANCE SHEET ARRANGEMENTS

Does Delphi have any outstanding guarantees on behalf of third parties or any off-balance sheet arrangements which could lead to liabilities in the future?

Delphi has not entered into any guarantees or off-balance sheet arrangements. Certain lease agreements entered into in the normal course of operations could be considered off-balance sheet arrangements; however, all leases which are considered operating leases are charged to operating expenses or general and administrative expenses on a monthly basis according to the lease. In March of 2012, the Company entered into a lease agreement that is accounted for as a finance lease under IAS 17 – Leases. As a result of this arrangement, an asset and an obligation have been recorded on the Company's consolidated statement of financial position as at March 31, 2012.

CRITICAL ACCOUNTING ESTIMATES

In preparing the Company's consolidated financial statements, is Delphi required to make estimates or assumptions about future events?

The reader is advised that the critical accounting estimates, judgments, policies and practices as described in the Company's Management's Discussion and Analysis for the year ended December 31, 2011 continue to be critical in determining Delphi's financial results.

The condensed consolidated interim financial statements have been prepared in conformity with IFRS which requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, shareholders' equity, revenue and expenses. Actual results may differ from these estimates.

NEW ACCOUNTING STANDARDS

Are there any future accounting standards which the Company will have to comply with in the future?

The following new and amended standards have been issued by the International Accounting Standards Board ("IASB"):

- IFRS 9, "Financial Instruments", which is the result of the first phase of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The effective date for this standard has been deferred to January 1, 2015.

- IFRS 11, "Joint Arrangements" ("IFRS 11"), requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation, each having its own accounting model. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. The standard provides for a more substance based reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The new standard replaces IAS 31, "Interests in Joint Ventures" and SIC – 13, "Jointly Controlled Entities – Non-monetary Contributions by Venturers" and establishes principles for accounting for all joint arrangements.

- IFRS 12, "Disclosure of Interests in Other Entities", which outlines the required disclosures for interests in subsidiaries and joint arrangements. The new disclosures require information that will assist financial statement users to evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries and joint arrangements.

- IFRS 13, “Fair Value Measurement” which defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements.

- IAS 28, “Investments in Associates and Joint Ventures” has been amended to conform to the changes made in IFRS 10 and IFRS 11.

Except as noted above, all of the above pronouncements are effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is currently evaluating the impact of adopting these standards.

CORPORATE GOVERNANCE

Overview

The shareholders’ interests are a critical factor in the operations 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 policies and procedures. Delphi’s Board of Directors consists of six 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 Annual Information Form for a listing of committees that oversee specific aspects of the Company’s operating and financial strategy.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure 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 President and Chief Executive Officer and Vice President, Finance and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Company’s President and Chief Executive Officer and Senior Vice President, Finance and Chief Financial Officer have concluded that the Company’s disclosure controls and procedures are effective and 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 Company notes that while it believes the disclosure controls and procedures and internal controls over financial reporting provide a reasonable level of assurance that they are effective, it does not expect that the disclosure controls and procedures and internal controls 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.

ADDITIONAL INFORMATION

Where is additional information about Delphi available?

Additional information about Delphi Energy 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.

DELPHI ENERGY CORP.

Condensed Consolidated Statements of Financial Position

(thousands of dollars) (unaudited)	**March 31 2012**	December 31 2011
Assets		
Current assets		
Cash and cash equivalents	**2,469**	4,017
Accounts receivable	**19,152**	18,770
Prepaid expenses and deposits	**3,050**	2,939
Assets held for sale (Note 4)	**-**	9,680
Fair value of financial instruments	**1,592**	546
	26,263	35,952
Fair value of financial instruments	**554**	-
Exploration and evaluation (Note 5)	**13,232**	18,699
Property, plant and equipment (Note 6)	**419,039**	392,422
Total assets	**459,088**	447,073
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**62,520**	47,451
Liabilities held for sale (Note 4)	**-**	377
Decommissioning obligations	**412**	825
Finance lease obligation (Note 7)	**1,649**	-
Fair value of financial instruments	**1,085**	21
	65,666	48,674
Other liability (Note 9)	**-**	1,334
Long term debt (Note 8)	**97,462**	82,385
Decommissioning obligations	**19,191**	19,288
Fair value of financial instruments	**3,293**	3,772
Deferred income taxes	**20,307**	23,245
	205,919	178,698
Shareholders' equity		
Share capital (Note 9)	**275,712**	275,682
Contributed surplus	**13,179**	12,500
Deficit	**(35,722)**	(19,807)
Total shareholders' equity	**253,169**	268,375
Total liabilities and shareholders' equity	**459,088**	447,073

See accompanying notes to the condensed interim consolidated financial statements.

DELPHI ENERGY CORP.

Condensed Consolidated Statements of Earnings and Comprehensive Earnings
For the three months ended March 31

(thousands of dollars, except per share amounts) (unaudited)	**2012**	2011
Revenue		
Crude oil and natural gas sales	**24,143**	28,900
Royalties	**(4,040)**	(4,269)
	20,103	24,631
Realized gain on financial instruments	**217**	263
Unrealized gain (loss) on financial instruments	**1,015**	(3,253)
	21,335	21,641
Expenses		
Operating	**5,104**	5,033
Transportation	**2,158**	2,212
General and administrative	**1,241**	1,208
Share-based compensation (Note 9)	**372**	166
Gain on property dispositions	**(2,283)**	(273)
Depletion and depreciation (Note 6)	**33,953**	10,601
	40,545	18,947
Finance costs	**977**	1,521
Earnings (loss) before income taxes	**(20,187)**	1,173
Income taxes		
Deferred income taxes (recovery)	**(4,272)**	211
Net earnings (loss) and comprehensive earnings (loss)	**(15,915)**	962
Net earnings (loss) per share (Note 9)		
Basic	**(0.12)**	0.01
Diluted	**(0.12)**	0.01

See accompanying notes to the condensed interim consolidated financial statements.

DELPHI ENERGY CORP.

Condensed Consolidated Statements of Changes in Shareholders' Equity
For the three months ended March 31

(thousands of dollars) (unaudited)	**2012**	2011
Share capital		
Common shares		
Balance, beginning of period	**275,682**	236,382
Issued for cash on a flow-through basis	**-**	8,160
Issued on exercise of options	**20**	1,279
Transferred on exercise of options	**10**	673
Share issue costs, net of tax	**-**	(14)
Balance, end of period	**275,712**	246,480
Contributed surplus		
Balance, beginning of period	**12,500**	11,987
Share-based compensation	**689**	180
Transferred on exercise of options	**(10)**	(673)
Balance, end of period	**13,179**	11,494
Deficit		
Balance, beginning of period	**(19,807)**	(31,409)
Net earnings (loss)	**(15,915)**	962
Balance, end of period	**(35,722)**	(30,447)
Total shareholders' equity	**253,169**	227,527

See accompanying notes to the condensed interim consolidated financial statements.

DELPHI ENERGY CORP.

Condensed Consolidated Statements of Cash Flows
For the three months ended March 31

(thousands of dollars) (unaudited)	2012	2011
Cash flow from (used in) operating activities		
Net earnings (loss)	**(15,915)**	962
Add non-cash items:		
Depletion and depreciation	**33,953**	10,601
Accretion and finance lease charges	**134**	141
Share-based compensation	**372**	166
Gain on property dispositions	**(2,283)**	(273)
Unrealized loss (gain) on financial instruments	**(1,015)**	3,253
Deferred income taxes (recovery)	**(4,272)**	211
Accretion of long term debt	**(206)**	463
Decommissioning expenditures	**(413)**	-
Change in non-cash working capital (Note 10)	**(2,093)**	(3,506)
	8,262	12,018
Cash flow from (used in) financing activities		
Issue of flow-through common shares, net of issue costs	**-**	8,946
Exercise of options	**20**	1,279
Obligations under finance lease	**(67)**	-
Increase in long term debt	**15,284**	-
	15,237	10,225
Cash flow available for investing activities	**23,499**	22,243
Cash flow from (used in) investing activities		
Additions to exploration and evaluation	**(1,336)**	(256)
Additions to property, plant and equipment	**(51,947)**	(34,041)
Disposition of petroleum and natural gas properties	**11,585**	273
Acquisition of petroleum and natural gas properties	**-**	(87)
Change in non-cash working capital (Note 10)	**16,651**	15,390
	(25,047)	(18,721)
Increase (decrease) in cash and cash equivalents	**(1,548)**	3,522
Cash and cash equivalents, beginning of period	**4,017**	4,039
Cash and cash equivalents, end of period	**2,469**	7,561
Cash interest paid	**1,073**	1,415

See accompanying notes to the condensed interim consolidated financial statements.

(A) STRUCTURE OF DELPHI

Delphi Energy Corp. ("Delphi" or "the Company") is a publicly-traded company engaged in the exploration for, development and production of crude oil and natural gas from properties and assets located in Western Canada in which it holds an interest. The Company's operations are primarily concentrated in the Deep Basin of North West Alberta, representing in excess of 90 percent of the Company's production. The registered office of the Company is located at Suite 300, 500 – 4th Avenue S.W., Calgary, Alberta, T2P 2V6.

The consolidated financial statements as at and for the three months ended March 31, 2012 comprise the accounts of the Company, its wholly-owned subsidiary and a partnership.

(B) BASIS OF PRESENTATION

(a) Statement of compliance

These condensed interim consolidated financial statements are unaudited and prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", and do not include all of the information required for full annual financial statements.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 8, 2012.

(b) Basis of measurement and functional currency

The condensed interim consolidated financial statements have been prepared on a going concern basis, using historical costs, except for derivative financial instruments which are measured at fair value. The financial statements are presented in Canadian dollars, the Company's functional currency.

(c) Use of estimates and judgments

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts in the condensed interim consolidated financial statements and accompanying notes. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be material. Actual results may differ from these estimates. Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparing these condensed interim consolidated financial statements, the significant judgments made by management in applying Delphi's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2011.

(C) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these condensed interim consolidated financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended December 31, 2011 with the exception of the following:

(a) Finance lease obligation

Leases which effectively transfer substantially all of the risks and rewards of ownership to the Company are classified as finance leases and are accounted for as an acquisition of an asset and an assumption of an obligation at the inception of the lease, measured as the present value of minimum leases payments to a maximum of the assets fair value. The asset is amortized in accordance with the Company's depletion and depreciation policy.

(D) ASSETS AND LIABILITIES HELD FOR SALE

In the fourth quarter of 2011, the Company made the decision to market for disposition, certain non-operated interests in its Hythe cash generating unit ("CGU"). The facts and circumstances necessary to classify non-current assets as held for sale in accordance with IFRS 5, "Non-current Assets Held for Sale" ("IFRS 5"), were satisfied on December 31, 2011. The Company completed the sale on January 16, 2012 for net proceeds of $11.0 million and recognized a gain on the disposition of $1.7 million.

(E) EXPLORATION AND EVALUATION ASSETS

	Total
Balance as at December 31, 2010	2,787
Additions	15,912
Balance as at December 31, 2011	18,699
Additions	1,336
Transfer to oil and gas properties	(6,803)
Balance as at March 31, 2012	**13,232**

Exploration and evaluation assets consist of the Company's exploration projects which are pending the determination of proven and probable reserves. For the three months ended March 31, 2012, $6.8 million was transferred to property, plant and equipment following the successful discovery of proven and probable reserves.

(F) PROPERTY, PLANT AND EQUIPMENT

Cost	**Crude oil and natural gas properties**	**Production equipment**	**Other assets**	**Total**
Balance as at December 31, 2010	409,087	27,528	621	437,236
Additions	101,943	334	137	102,414
Acquisitions	273	-	-	273
Dispositions	(14,449)	-	-	(14,449)
Reclassification to assets held for sale	(11,826)	-	-	(11,826)
Balance as at December 31, 2011	485,028	27,862	758	513,648
Additions	43,444	10,321	2	53,767
Transfer from exploration and evaluation assets	6,803	-	-	6,803
Balance as at March 31, 2012	535,275	38,183	760	574,218

Accumulated depletion and depreciation	Crude oil and natural gas properties	Production equipment	Other assets	Total
Balance as at December 31, 2010	(74,066)	(5,583)	(129)	(79,778)
Additions	(44,924)	(494)	(117)	(45,535)
Dispositions	3,441	-	-	3,441
Reclassification to assets held for sale	2,146	-	-	2,146
Impairment losses	(1,212)	(288)	-	(1,500)
Balance as at December 31, 2011	(114,615)	(6,365)	(246)	(121,226)
Additions	(12,789)	(129)	(35)	(12,953)
Impairment losses	(19,600)	(1,400)	-	(21,000)
Balance as at March 31, 2012	**(147,004)**	**(7,894)**	**(281)**	**(155,179)**
Net book value as at March 31, 2012	**388,271**	**30,289**	**479**	**419,039**
Net book value as at December 31, 2011	370,413	21,497	512	392,422

Impairment tests were carried out at March 31, 2012 due to the decrease in the forward price curve for natural gas as at April 1, 2012 compared to January 1, 2012. The Company recognized an impairment charge of $21.0 million related to the Company's Hythe, Berland River, Miscellaneous Alberta and British Columbia CGUs, which has been included in depletion and depreciation expense on the consolidated statement of earnings. The impairments were based on the difference between the period end carrying value of the CGU's and the recoverable amount. The recoverable amounts were determined using a fair value less costs to sell methodology with the expected future cash flows based on proved and probable reserves using pre-tax discount rates of 8 to 12 per cent.

For the year ended December 31, 2011, the Company recognized a $1.5 million impairment relating to its Hythe, Berland River and Miscellaneous Alberta CGUs. The impairments were based on the difference between the period end carrying value of the CGU's and the recoverable amount. The recoverable amounts were determined using a fair value less costs to sell methodology with the expected future cash flows based on proved and probable reserves using pre-tax discount rates of 8 to 12 per cent.

(G) FINANCE LEASE OBLIGATION

The Company entered into an agreement in March 2012 to lease a compressor with a commitment to purchase at the end of the lease term. The lease arrangement has resulted in the recognition of an asset and an obligation, in accordance with International Accounting Standard 17, "Leases". The carrying value of the asset under this finance lease at March 31, 2012 totaled $1.7 million.

The following is a schedule of future minimum lease payments including the purchase price for the asset under the finance lease obligation:

	Amount
2012	**305**
2013	**1,642**
	1,947
Amount representing implicit interest rate at 20.1%	**(298)**
Finance lease obligation	**1,649**

(H) LONG TERM DEBT

	March 31, 2012	December 31, 2011
Prime-based loans	**18,000**	3,000
Bankers' acceptances, net of discount	**79,462**	79,385
Total	**97,462**	82,385

The Company's credit facility has recently been renewed by its lenders. The $145.0 million extendible revolving term credit facility with a syndicate of Canadian chartered banks is subject to the banks' semi-annual valuation of the Company's crude oil and natural gas properties. The facility is a 364 day committed facility available on a revolving basis until May 27, 2013 at which time it may be extended at the lenders' option. If the revolving period is not extended, the undrawn portion of the facility will be cancelled and the amount outstanding will convert to a 365 day non-revolving term facility. The amounts outstanding under the non-revolving facility are required to be repaid at the end of the non-revolving term being May 28, 2014. The non-extension provisions are applicable to the lenders on an individual basis.

(I) SHARE CAPITAL

Delphi is authorized to issue an unlimited number of common shares. All shares are fully paid and have no par value. The holders of common shares are entitled to receive dividends as declared by the Company and are also entitled to one vote per share.

(a) Issued and outstanding

	March 31, 2012		December 31, 2011	
	Outstanding shares (000's)	**Amount**	Outstanding shares (000's)	Amount
Balance, beginning of period	**131,000**	**275,682**	112,825	236,382
Issue of common shares	**-**	**-**	10,005	22,011
Issue of flow-through common shares	**-**	**-**	6,100	14,801
Exercise of stock options	**30**	**20**	2,070	2,575
Allocated from contributed surplus	**-**	**10**	-	1,347
Share issue costs, net of deferred tax effect	**-**	**-**	-	(1,434)
Balance, end of period	**131,030**	**275,712**	131,000	275,682

On December 23, 2011, Delphi closed an equity issuance of 2.9 million flow-through common shares at a price of $2.75 for total gross proceeds of $8.0 million. A flow-through premium of $1.3 million related to the issuance of the flow-through common shares on December 23, 2011 was recorded as a long term liability on the consolidated statement of financial position. As of March 31, 2012, the Company satisfied its $8.0 million commitment to incur qualifying expenditures associated with its flow-through shares. As a result, deferred income tax of $2.0 million associated with the renouncement of the expenditures was recorded, the long term liability associated with the flow-through shares was derecognized and the difference of $0.7 million was recognized as deferred income tax expense.

(b) Net earnings (loss) per share

Net earnings (loss) per share has been calculated based on a loss of $15.9 million (March 31, 2011 earnings: $1.0 million) and the following weighted average common shares:

For the three months ended March 31,	2012	2011
Weighted average common shares - basic	**131,027**	113,465
Dilutive effect of share options outstanding	**-**	2,238
Weighted average common shares - diluted	**131,027**	115,703

For the three months ended March 31, 2012, a total of 10.6 million share options (2011: 4.4 million) were excluded from the calculation as they were anti-dilutive.

(J) SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital are comprised of the following:

For the three months ended March 31,	2012	2011
Source/(use) of cash		
Accounts receivable	**(382)**	(3,688)
Prepaid expenses and deposits	**(111)**	(501)
Accounts payable and accrued liabilities	**15,051**	16,073
Total change in non-cash working capital	**14,558**	11,884
Relating to:		
Operating activities	**(2,093)**	(3,506)
Investing activities	**16,651**	15,390
	14,558	11,884

DIRECTORS

David J. Reid
President and Chief Executive Officer
Delphi Energy Corp.

Tony Angelidis
Senior Vice President Exploration
Delphi Energy Corp.

Harry S. Campbell, Q.C. [3]
Partner
Burnet, Duckworth & Palmer LLP

Robert A. Lehodey, Q.C. [2] [3]
Partner
Osler, Hoskin & Harcourt LLP

Stephen Mulherin [1]
Partner
Polar Capital Corporation

Andrew E. Osis [1] [3]
Chief Executive Officer and Director
Poynt Corporation

David Sandmeyer [2]
Director
Freehold Royalty Trust

Lamont C. Tolley [1] [2]
Independent Businessman

[1] Member of the Audit Committee
[2] Member of the Reserves Committee
[3] Member of the Corporate Governance and Compensation Committee

AUDITORS

KPMG LLP

LEGAL COUNSEL

Osler, Hoskin & Harcourt LLP

OFFICERS

David J. Reid
President and Chief Executive Officer

Tony Angelidis
Senior Vice President Exploration

Hugo H. Batteke
Vice President Operations

Michael K. Galvin
Vice President Land

Rod A. Hume
Senior Vice President Engineering

Brian P. Kohlhammer
Senior Vice President Finance and Chief Financial Officer

CORPORATE OFFICE

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

BANKERS

National Bank of Canada
The Bank of Nova Scotia
Alberta Treasury Branches

INDEPENDENT ENGINEERS

GLJ Petroleum Consultants Ltd.

STOCK EXCHANGE LISTING

Toronto Stock Exchange – DEE

TRANSFER AGENT

Olympia Trust Company

ABBREVIATIONS

bbls .... barrels
bbls/d .... barrels per day
mbbls .... thousand barrels
mcf .... thousand cubic feet
mcf/d .... thousand cubic feet per day
mmcf .... million cubic feet
mmcf/d .... million cubic feet per day
NGL .... natural gas liquids
bcf .... billion cubic feet
boe .... barrels of oil equivalent (6 mcf:1 bbl)
boe/d .... barrels of oil equivalent per day
mmboe .... million barrels of oil equivalent