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

Third Quarter 2008 Highlights

- Achieved record production of 6,409 barrels of oil equivalent per day (boe/d), marking the sixth consecutive quarter of production growth and a 28 percent increase in production per share over the same period.
- Generated funds from operations (cash flow) of $18.2 million ($0.24 per share), a 44 percent increase over $12.6 million ($0.19 per share) in the comparative quarter of 2007. Funds from operations for the first nine months of 2008 of $55.2 million exceeded total funds from operations generated in 2007 of $48.5 million.
- Achieved record production of 1,600 boe/d at Hythe, Alberta, a 300 percent increase since acquiring the asset in September 2007. The growth was achieved through continued drilling success within multiple play types, including a light oil discovery in the Doe Creek formation. Drilling inventory at Hythe is estimated to be six to ten years.
- Acquired producing crude oil and natural gas properties at the end of July 2008 in the Peace River Arch area of North West Alberta and North East British Columbia for $37.9 million, after closing adjustments.
- Increased the Company's undeveloped land position by 25 percent from 89,726 net acres to 112,153 net acres.

Financial Highlights ($ thousands except per unit amounts)

	Three Months Ended September 30			Nine Months Ended September 30		
	2008	2007	% Change	**2008**	2007	% Change
Petroleum and natural gas sales	**34,461**	24,548	40	**105,242**	71,301	48
Per boe	**59.09**	46.81	26	**61.72**	50.82	21
Funds from operations	**18,160**	12,600	44	**55,184**	34,734	59
Per boe	**31.45**	24.02	31	**32.36**	24.75	31
Per share – Basic	**0.24**	0.19	26	**0.77**	0.52	48
Per share – Diluted	**0.23**	0.18	28	**0.76**	0.52	46
Net earnings (loss)	**6,744**	(1,348)	-	**6,053**	(12,204)	-
Per boe	**12.09**	(2.57)	-	**3.55**	(8.69)	-
Per share – Basic	**0.09**	(0.02)	-	**0.08**	(0.18)	-
Per share – Diluted	**0.09**	(0.02)	-	**0.08**	(0.18)	-
Capital invested	**27,132**	14,626	86	**61,119**	34,933	75
Disposition of properties	**(5,500)**	(15,502)	(65)	**(8,450)**	(15,502)	(45)
Net capital invested	**21,632**	(876)	-	**52,669**	19,431	171
Acquisition of properties	**34,096**	-	100	**37,946**	10,871	249
Total capital	**55,728**	(876)	-	**90,615**	30,302	199

	Sept. 30, 2008	Dec. 31, 2007	% Change
Debt plus working capital deficiency (1)	**106,532**	100,658	6
Total assets	**366,006**	311,735	17
Shares outstanding (000's)			
Basic	**79,067**	68,070	16
Diluted	**83,808**	73,551	14

(1) excludes risk management asset or liability and the related current future income taxes.

Operational Highlights

Production	Three Months Ended September 30 2008	2007	% Change	Nine Months Ended September 30 2008	2007	% Change
Natural gas (mcf/d)	**33,691**	28,196	19	**32,460**	25,631	27
Crude oil (bbls/d)	**372**	579	(36)	**376**	457	(18)
Natural gas liquids (bbls/d)	**421**	422	-	**436**	410	6
Total (boe/d)	**6,409**	5,700	12	**6,223**	5,139	21

MESSAGE TO SHAREHOLDERS

Delphi Energy continued to achieve production growth in the third quarter of 2008. The Company realized record average daily production of 6,409 barrels of oil equivalent per day (boe/d), an increase of three percent from 6,202 boe/d in the second quarter of 2008 and 12 percent greater than the comparative period in 2007. Production restrictions due to scheduled facility maintenance during the third quarter of 2008 were offset by the initial benefits of Delphi's $37.9 million acquisition of producing properties on July 24.

Natural gas prices declined significantly in the third quarter of 2008 from the highs reached at the end of the second quarter. While partially influenced by the strength of crude oil price changes, natural gas price changes are predominantly based on supply and demand fundamentals in the North American market. The continuing increase in crude oil prices through the end of the second quarter had a positive effect on the rise in natural gas prices, reaching a high of $11.77 per mcf for AECO near the end of the second quarter. In the third quarter, the collapse of all commodity prices began on the heels of financial and economic turmoil in the credit and capital markets. In the case of natural gas, hurricane activity in the Gulf of Mexico was minimal, storage levels increased as domestic U.S. natural gas production continued to grow and summer temperatures were moderate, resulting in lower demand for electricity through natural-gas fired power plants to operate air conditioners. During the third quarter, the AECO average daily spot price declined from $11.83 per mcf early in the quarter to $5.79 per mcf at the end of the third quarter.

Crude oil prices experienced a significant drop from the peak in mid July for West Texas Intermediate (WTI) of more than U.S. $145.00 per barrel to a range of between U.S. $60.00 to $70.00 per barrel in late October. For the three months ended September 30, 2008, WTI averaged $117.97 per barrel.

Funds from operations in the third quarter of 2008 were $18.2 million, or $0.24 per basic share, compared to $12.6 million, or $0.19 per basic share in the third quarter of 2007. This increase in cash flow was a result of higher cash netbacks from an improved oil and natural gas price environment and growth in production volumes. For the three months ended September 30, 2008, Delphi recognized approximately $200,000 in realized losses on Canadian dollar denominated physical contracts included in natural gas revenue and recognized a realized gain of approximately $100,000 on financial contracts and U.S. dollar denominated physical contracts. For the nine months ended September 30, 2008 the Company has recognized approximately $1.8 million in realized losses on financial and physical hedging contracts. Delphi recorded net earnings of $6.7 million in the third quarter of 2008, primarily due to an unrealized gain on risk management activities of $5.4 million after taxes.

On July 17, 2008, the Company closed an equity offering of 6,316,000 common shares at $2.85 per share and 3,530,000 flow-through common shares at $3.40 per share for proceeds of approximately $30.0 million (net proceeds of $28.1 million). In late July 2008, the Company completed the acquisition of oil and natural gas properties producing approximately 650 boe/d for $37.9 million, after closing adjustments, in the Peace River Arch area of North West Alberta and North East British Columbia. The acquisition was funded by the net proceeds of the equity offering and the Company's net debt.

At September 30, 2008, the Company had net debt, excluding the risk management asset/liability and the related current future income taxes, of $106.5 million, an increase from $97.2 million at June 30, 2008. The increase in net debt during the third quarter resulted in part from Delphi's acquisition of producing properties and the Company's planned capital program that exceeded cash flow to take advantage of the availability and reduced cost of oilfield services. Based on annualized third quarter funds from operations, Delphi's net debt to funds flow ratio was 1.5 times at the end of the third quarter. Fourth quarter capital expenditures are anticipated to be significantly lower than cash flow in the fourth quarter, reducing the Company's net debt to approximately $100.0 million by the end of the year. Net debt includes bank debt plus working capital deficiency excluding the risk management asset/liability and the related current future income taxes. On July 29, 2008, the Company's lenders increased Delphi's credit facilities to $140.0 million, up from $125.0 million. The scheduled interim credit review by the Company's lenders has since been completed. The lenders have confirmed the production credit facility at $130.0 million and continue to make available the $10.0 million development credit facility. The Company remains in a strong financial position with approximately 24 percent or $34.0 million of unutilized credit facility available for strategic acquisitions.

OPERATIONAL REVIEW

Delphi is focusing its drilling activities on achieving near-term production growth at attractive metrics. The Company contracted two rigs in the third quarter of 2008 to drill seven (5.2 net) wells at Hythe and Bigstone, Alberta, achieving a success rate of 86 percent. The cost of the program was $27.1 million. The Company also started drilling one well (1.0 net) at the end of the quarter and continued completion operations on one well (1.0 net) into the fourth quarter. Delphi has identified more than 100 drilling locations within its core areas.

On September 30, 2008, the Company divested of approximately 75 boe/d of production in the Peace River Arch area for total proceeds of $5.5 million, resulting in a net capital program of $21.6 million for the quarter. The excess of capital expenditures over cash flow of $18.2 million was funded by the Company's net debt.

Hythe

At Hythe, Delphi has been unlocking the potential of its 86 sections (72 percent average working interest) of undeveloped land. Hythe has three times the undeveloped land base and twice the number of productive zones as Delphi's successful Bigstone property, where the Company has tripled production to approximately 3,000 boe/d over the past three years. As a result of successful field operations at Hythe, production from the property has increased 300 percent to approximately 1,600 boe/d from 400 boe/d when the Company acquired the property in September 2007. Delphi has spent approximately $28.1 million over the past year executing a focused optimization, recompletion and drilling program based on updated geological and geophysical mapping combined with the application of new completion technology.

The Company has been successful developing new play types at Hythe in multiple zones at drilling depths from 900 to 2,500 metres, providing an increasingly diverse portfolio of opportunities for developing the 2009 and subsequent capital programs. Recent developments in the area include the following:

- A new pool containing an estimated 10 million barrels of oil-in-place of 45 degree API light oil has been discovered in the Doe Creek formation at a depth of approximately 1,000 metres. Analog pools in the area have recovery factors of up to 19 percent. The discovery well (100% DEE) had an initial production rate of 75 barrels per day (bbls/d) and has since stabilized at approximately 50 bbls/d after two months of production. Based on 160 acre spacing, the Company has identified approximately 24 follow-up locations and is currently developing the winter program with plans to drill up to four horizontal wells in the area.

- The Dunvegan formation at approximately 1,300 metres has been successfully completed in two wells utilizing new gas-frac technology. This formation, that has historically been marginally economic in the area, is now providing significant future development potential for the Company. The reservoir rock, having a thickness of up to 18 metres, is characterized as slightly under-pressured with good porosity but lower permeabilities. Delphi-operated wells completed using the gas-frac technology have experienced initial rates of up to 1.5 million cubic feet per day (mmcf/d) stabilizing at rates between 250 mcf/d and 500 mcf/d. As part of the winter program, Delphi has licensed a horizontal well that will use multi-stage fracing technology to further enhance the economics of this emerging play. Preliminary mapping indicates an initial 10 follow-up locations based on 320 acre spacing. Seismic and sub-surface mapping is continuing to fully define the extent of this play.

- During the third quarter, the Company was also successful in completing, testing and producing natural gas from the Paddy, Falher, Bluesky, Gething and Cadomin formations. Thirteen productive zones were completed in three wells (3.0 net), resulting in a combined stabilized rate of 4,200 mcf/d (700 boe/d). In addition, Delphi has finished drilling and casing its first Cadomin horizontal well achieving a horizontal section of approximately 720 metres. Equipment is being mobilized to stimulate the well using multi-stage fracing technology. Test results are expected in the next few weeks. Preliminary mapping indicates an initial six follow-up locations in the Cadomin formation based on 640 acre spacing and up to 40 locations in the Bluesky formation based on 320 acre spacing.

- The Nikanassin formation at depths up to 2,500 metres has been successfully completed in one wellbore. Results are typical for the area with initial production rates up to 750 mcf/d and stabilized rates between 250 and 500 mcf/d. A detailed resource study is nearing completion, which will assist the Company in defining the potential and development plan for this formation which contains original gas-in-place of up to 20 billion cubic feet per section. The Company expects to drill its first horizontal well in the Nikanassin during the upcoming winter season.

Winter plans at Hythe are progressing with a focus on drilling low risk, step-out locations to the successful summer program and continued evaluation of new geologic plays and concepts. The success to date and the ongoing capital program testing additional new play types will provide visible growth for the Company with up to 10 years of drilling inventory. In order to maximize productivity and reserve recovery at Hythe, commingling approvals and downspacing applications have been obtained on the majority of the Company's land base. Current downspacing approval allows the Delphi to drill up to two gas wells per section.

Bigstone

During the summer program at Bigstone, Delphi drilled and cased two wells (1.1 net) targeting natural gas in the Cretaceous aged formations at depths from 2,200 to 2,800 metres. The combined rate of the two wells is stabilizing at a gross rate of 1.5 mmcf/d (150 boe/d net to Delphi). Plans for the winter program are well underway with an expectation to drill up to six wells (3.3 net) in the area prior to spring break-up.

In addition, the Company conducted two recompletion projects in the Dunvegan formation at Bigstone utilizing the new gas-frac technology. The results have not yet been released, but the new technology has lowered the cut-off parameters previously thought necessary for economic production. To date, six additional recompletion opportunities have been identified in Company-owned wells. Recompletion activity is being scheduled for the upcoming winter program.

Also, the Company successfully recompleted and tied-in three suspended wells for Cardium light oil production, adding approximately 100 boe/d of 47 degree API light oil. The Bigstone Cardium play continues to develop with the identification of 14 drilling locations and four additional recompletion opportunities.

At both Hythe and Bigstone, Company-owned and operated field gathering infrastructure as well as ownership in processing plant capacity offer strategic advantages over some of Delphi's peers. Ownership increases project economics, capital efficiencies and the critical issue of ensuring new production moves from the wellhead to sales on a timely basis.

OUTLOOK

Delphi continues to expect production for the fourth quarter of 2008 to average between 6,800 and 7,000 boe/d, an 18 percent increase over the fourth quarter 2007.

Based upon an average realized natural gas price of approximately $8.25 per mcf, funds from operations (cash flow) for 2008 are forecast to be between $71.5 million ($0.97 per share) and $74.0 million ($1.01 per share), a 49 percent increase from $48.5 million ($0.72 per share) in 2007 as a result of increased production volumes and higher commodity prices. The Company expects its debt to cash flow ratio to be approximately 1.4 to 1 at December 31, 2008, with debt plus working capital of approximately $100.0 million on credit facilities of $140.0 million.

Upon closing of the acquisition in July, Delphi provided production guidance of 7,700 to 8,300 boe/d for 2009 based on an average AECO natural gas price of $8.00 per mcf, generating approximately $75.0 to $80.0 million of cash flow with the capital program for 2009 in the context of the cash flow generated. A lower average AECO price would result in reduced cash flow and capital program leading to a potential decrease in production guidance.

Positive drilling results and continued production growth, coupled with secure financial resources continue to favorably influence Delphi's capital investment decisions. The Company looks forward to reporting further positive results for the fourth quarter as part of its annual operational and financial results release in mid March 2009.

On behalf of the Board,

David J. Reid,
President and Chief Executive Officer
November 3, 2008

MANAGEMENT DISCUSSION AND ANALYSIS

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

The management discussion and analysis has been prepared by management and reviewed and approved by the Board of Directors of Delphi Energy Corp. ("Delphi" or "the Company"). The discussion and analysis is a review of the financial results of the Company based upon accounting principles generally accepted in Canada. Its focus is primarily a comparison of the financial performance for the three and nine months ended September 30, 2008 and 2007 and should be read in conjunction with the audited financial statements and accompanying notes for the year ended December 31, 2007. The discussion and analysis has been prepared as of November 4, 2008.

OPERATION AND FINANCIAL HIGHLIGHTS

Delphi Energy Corp. continued to achieve production growth in the third quarter of 2008 with average daily production of 6,409 barrels of oil equivalent per day (boe/d), an increase from 6,202 boe/d in the second quarter of 2008 and 12 percent greater than the comparative period in 2007. Scheduled facility maintenance during the third quarter was largely offset by the initial third quarter benefits of the acquired production volumes. Third quarter sales volumes represent record quarterly production.

Funds from operations in the third quarter of 2008 were $18.2 million or $0.24 per basic share, compared to $12.6 million or $0.19 per basic share in the third quarter of 2007, as a result of higher cash netbacks from an improved oil and natural gas price environment and growth in production volumes. For the three months ended September 30, 2008, Delphi recognized approximately $0.2 million in realized losses on Canadian dollar denominated physical contracts, included in natural gas revenue and recognized a realized gain of approximately $0.1 million on financial contracts and U.S. dollar denominated physical contracts. For the nine months ended September 30, 2008 the Company has recognized approximately $1.8 million in realized losses on financial and physical hedging contracts. Delphi recorded net earnings of $6.7 million in the third quarter of 2008 primarily due to an unrealized gain on risk management activities of $5.4 million after taxes.

On July 17, 2008, the Company closed an equity offering of 6,316,000 common shares at $2.85 per share and 3,530,000 flow-through common shares at $3.40 per share for proceeds of approximately $30.0 million (net proceeds of $28.1 million). In late July, 2008, the Company completed the acquisition of oil and natural gas properties producing approximately 650 boe/d for $37.9 million, after closing adjustments, in the Peace River Arch area of North West Alberta and North East British Columbia. The acquisition was funded by the net proceeds of the equity offering and the Company's net debt.

The Company is focused on ensuring its field capital program provides near term production growth at attractive capital metrics. The Company's summer drilling program commenced late in the second quarter. Summer drilling and field operations resulted in a capital program for the third quarter of $27.1 million, with seven wells (5.2 net) being drilled, one well (1.0 net) drilling at the end of the quarter and completion operations on one well (1.0 net) continuing into the fourth quarter. On September 30, 2008, the Company disposed of approximately 75 boe/d of production in the Peace River Arch area for total proceeds of $5.5 million resulting in a net capital program of $21.6 million for the quarter. The excess of capital expenditures over cash flow of $18.2 million was funded by the Company's net debt.

At September 30, 2008, the Company had net debt, excluding the risk management asset/liability and the related current future income taxes, of $106.5 million, an increase from $97.2 million at June 30, 2008. The increase in net debt was anticipated due to a planned capital program in the third quarter greater than cash flow to take advantage of the availability and cost of oilfield services. On an annualized third quarter funds from operations basis, Delphi's net debt to funds flow ratio was 1.5 times at the end of the third quarter. Fourth quarter capital expenditures are anticipated to be significantly lower than cash flow in the fourth quarter reducing the Company's net debt to approximately $100.0 million by the end of the year. Net debt includes bank debt plus working capital deficiency excluding the risk management asset/liability and the related current future income taxes. On July 29, 2008, the Company's lenders increased Delphi's credit facilities to $140.0 million, up from $125.0 million. The scheduled interim credit review by the Company's lenders has also been recently completed. The lenders have confirmed the production credit facility at $130.0 million and continue to make available the $10.0 million development credit facility. The Company remains in a strong financial position with approximately 24 percent or $34.0 million of unutilized credit facilities available for strategic acquisitions.

BUSINESS ENVIRONMENT

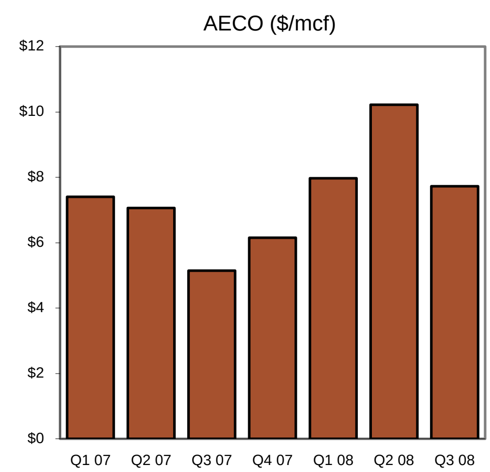
Benchmark Prices

	Three Months Ended September 30			Nine Months Ended September 30		
	2008	2007	% Change	**2008**	2007	% Change
Natural Gas						
NYMEX (US $/mmbtu)	**9.91**	6.25	59	**9.62**	6.99	38
AECO (CDN $/mcf)	**7.73**	5.20	49	**8.64**	6.57	30
Crude Oil						
West Texas Intermediate (US $/bbl)	**117.97**	75.15	57	**113.29**	66.13	71
Edmonton Light (CDN $/bbl)	**121.85**	80.25	52	**115.14**	73.97	56
Foreign Exchange Rate						
Canadian to US dollar	**0.96**	1.05	(8)	**0.98**	1.10	(11)
US to Canadian dollar	**1.04**	0.96	8	**1.02**	0.91	12

Natural Gas

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

In the third quarter of 2008, natural gas prices experienced a significant decrease from the highs at the end of the second quarter. While partially influenced by the strength of crude oil price changes, natural gas price changes are predominantly based on supply and demand fundamentals in the North American market. In the first quarter, with global natural gas prices considerably higher than the prices in the United States, LNG imports to the U.S. throughout the winter were less than average and significantly less than the peak imports during the summer of 2007. Cold winter weather persisted to the end of March 2008 in the major natural gas consuming regions of central Canada and the northeast United States. By the end of the natural gas withdrawal season, an increase of over 400 billion cubic feet had been taken out of natural gas storage compared to the previous withdrawal season. Natural gas in storage in the United States had been drawn down below five year average levels, a key measure of supply.



In the second quarter, LNG imports to the United States continued to remain below the historical average, also well below the record injections in the spring of 2007, as world prices for natural gas provided greater economic returns to offshore U.S. producers. The continuing increase in crude oil prices through the end of the second quarter also had a positive affect on the rise in natural gas prices reaching a high of $11.77 per mcf for AECO near the end of the second quarter. In the third quarter, the collapse of all commodity prices began on the heels of financial and economic turmoil in the credit and capital markets. More specifically in the case of natural gas, hurricane activity in the Gulf of Mexico was minimal, domestic U.S. natural gas production continued to grow increasing storage levels and summer temperatures were moderate resulting in lower demand for the generation of electricity through natural-gas fired power plants to operate air conditioners. During the third quarter, the AECO average daily spot price ranged from a high of $11.83 per mcf early in the quarter to a low of $5.79 per mcf at the end of the third quarter. For internal forecasting purposes, looking toward the remainder of 2008, Delphi anticipates AECO natural gas prices will average approximately $6.75 to $7.25 per mcf.

Crude Oil

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

For the three and nine months ended September 30, 2008, the WTI averaged U.S. $117.97/bbl and U.S. $113.29/bbl, respectively. The WTI price peaked in mid July above U.S. $145.00 per barrel and declined to U.S. $103.76 per barrel in September. For internal forecasting purposes, Delphi now anticipates WTI to average between U.S. $70.00 to $90.00 per barrel for the remainder of 2008 and the Canadian dollar to remain between $1.05 and $1.10 per U.S. dollar.

Prices for heavy oil and other lesser quality crude oils trade at a discount or differential to light crude oil due to the additional costs in the refining process. The average differential in the third quarter of 2008 was $16.43 per barrel compared to $23.95 per barrel in the third quarter of 2007. The decrease in the average differential and higher light oil prices, resulted in Bow River crude prices averaging $105.42 per barrel compared to $56.00 per barrel in the third quarter of 2007.

Industry Cost of Services

For oil and natural gas producers lower costs of services continued through the 2008 summer drilling season. The lower crude oil and natural gas prices being experienced currently and overall uncertainty in the credit and capital markets are now expected to lead to reduced demand for oilfield services and equipment heading into the winter drilling season.

FINANCIAL STRATEGY

The Company maintains an active risk management program as an integral part of its overall financial strategy to mitigate volatility in funds from operations resulting from fluctuating commodity prices. The strategy takes advantage of the upward swings in natural gas prices as a result of the changes in demand/supply fundamentals and/or the movement of significant financial assets invested in the natural gas market as a pure commodity play. Delphi’s risk management program consists of fixed price contracts, costless collars and participating swaps which provide downside protection through a floor price and the opportunity to share in a portion of the upside if market prices increase above the floor price. If market prices are above fixed price contracts, the ceiling price of costless collars or the floor price of a participating swap the Company would continue to achieve its downside protection while realizing losses on these hedging contracts. Currently, Delphi has hedged approximately 41 percent of its before-royalty natural gas production at a predominantly AECO based average floor price of $8.02 per mcf for the fourth quarter of 2008. Delphi has a strategy of hedging approximately 40 percent of its natural gas production as long as demand/supply fundamentals indicate volatile markets in the future. As the Company’s financial condition improves and/or natural gas demand/supply fundamentals move toward equilibrium or reduced supply, Delphi will manage its hedging program accordingly to take advantage of exposure to higher natural gas commodity prices.

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

Maintaining or improving strong operating netbacks per boe through the risk management program and the control of costs associated with production operations, allows the Company to pursue its planned capital program with greater confidence that financial flexibility will be maintained while incurring capital expenditures to grow production volumes. The Company expects to maintain a minimum operating netback per boe in the $25.00 - $28.00 range as it has in the past three years. The risk management program has been and will continue to be an integral part of ensuring operating netbacks in this range during periods of price volatility and excess natural gas supply.

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

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

SELECTED INFORMATION

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

	Sept. 30 2008	Jun. 30 2008	Mar. 31 2008	Dec. 31 2007	Sept. 30 2007	Jun. 30 2007	Mar. 31 2007	Dec. 31 2006
Production								
Natural gas (mcf/d)	33,691	31,898	31,777	30,610	28,196	26,967	21,658	24,919
Oil (bbl/d)	372	368	387	346	579	423	366	388
Natural gas liquids (bbl/d)	421	517	372	420	422	461	346	441
Barrels of oil equivalent (boe/d)	6,409	6,202	6,056	5,868	5,700	5,379	4,322	4,982
Financial								
($ thousands except per unit amounts)								
Petroleum and natural gas revenue	34,461	38,569	32,212	26,632	24,548	24,779	21,974	22,928
Funds from operations	18,160	19,965	17,059	13,747	12,600	11,469	10,665	11,817
Per share – basic	0.24	0.29	0.25	0.20	0.19	0.17	0.17	0.19
Per share – diluted	0.23	0.28	0.25	0.20	0.18	0.17	0.17	0.19
Net earnings (loss)	6,744	49	(739)	1,732	(1,348)	797	(11,653)	290
Per share – basic	0.09	-	(0.01)	0.03	(0.02)	0.01	(0.18)	-
Per share – diluted	0.09	-	(0.01)	0.03	(0.02)	0.01	(0.18)	-

Production for the last eight consecutive quarters reflects the following events: The change in production volumes from the fourth quarter of 2006 to the first quarter of 2007 was due to a reduced capital program leading to production declines and the disposition of several minor, non-operated properties in the latter half of 2006. In 2007 success at Bigstone, Alberta throughout the year and Noel, British Columbia in the third quarter complemented the mid-year start up of production at Tower Creek, Alberta resulting in consistent quarter over quarter production growth. Production increased in the first half of 2008 due to a successful winter program in the core areas. In the third quarter of 2008, the combination of a successful summer capital program and the production increase from the acquisition resulted in continued production growth in the third quarter. Revenue and funds from operations reflect the cycle of natural gas prices and production volumes.

Natural gas prices over the past two years have reflected the cyclical nature of demand. Higher prices in the winter months, reflecting demand for heating, weaken through the summer months as production is placed in storage for the upcoming heating season demand. Natural gas prices in the second quarter of 2008 did not follow the cyclical trend expected, as prices continued to increase coming out of the winter heating season due to concerns over natural gas supply in storage and the continued increase in crude oil prices. In the first quarter of 2007, net earnings were significantly reduced by the impairment of goodwill in the amount of $12.1 million. In the first nine months of 2008, the Company achieved record cash flow of $55.2 million or $0.77 per share, due to continued production growth and increased natural gas and crude oil prices.

DRILLING RESULTS

	Three Months Ended September 30, 2008		Nine Months Ended September 30, 2008	
	Gross	**Net**	**Gross**	**Net**
Natural gas wells	**5.0**	**4.1**	**16.0**	**12.1**
Oil wells	**1.0**	**1.0**	**2.0**	**2.0**
Dry Holes	**1.0**	**0.1**	**1.0**	**0.1**
Total wells	**7.0**	**5.2**	**19.0**	**14.2**
Success rate (%)	**86**	**98**	**95**	**99**

The Company had another successful quarter with the drill bit resulting in a drilling success rate of 86 percent. The Company has in excess of one hundred drilling locations identified within its core areas of operations.

CAPITAL INVESTED

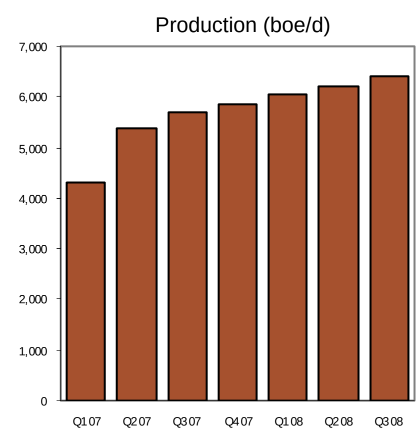
	Three Months Ended September 30			Nine Months Ended September 30		
	2008	2007	% Change	**2008**	2007	% Change
Land	**130**	217	(40)	**130**	230	(43)
Seismic	**719**	223	222	**722**	437	65
Drilling and completions	**21,329**	12,485	71	**44,390**	25,229	76
Equipping and facilities	**3,599**	1,142	215	**12,847**	6,942	85
Capitalized expenses	**767**	518	48	**2,434**	1,683	45
Other	**588**	41	1,334	**596**	412	45
Capital invested	**27,132**	14,626	86	**61,119**	34,933	75
Disposition of properties	**(5,500)**	(15,502)	(65)	**(8,450)**	(15,502)	(45)
Net capital invested	**21,632**	(876)	-	**52,669**	19,431	171
Acquisition of properties	**34,096**	-	100	**37,946**	10,871	249
Total capital	**55,728**	(876)	-	**90,615**	30,302	199

Year to date, the Company has directed the majority of capital to the drilling and completion of eight wells at Bigstone, Alberta, eight wells at Hythe in Alberta and two wells at Noel, British Columbia.

PRODUCTION

	Three Months Ended September 30			Nine Months Ended September 30		
	2008	2007	% Change	**2008**	2007	% Change
Natural gas (mcf/d)	**33,691**	28,196	19	**32,460**	25,631	27
Crude oil (bbls/d)	**372**	579	(36)	**376**	457	(18)
Natural gas liquids (bbls/d)	**421**	422	-	**436**	410	6
Total (boe/d)	**6,409**	5,700	12	**6,223**	5,139	21

Production for the three months ended September 30, 2008 (the “Quarter”) averaged 6,409 boe/d representing an increase of 12 percent over the comparative period primarily due to the successful drilling and optimization programs at Bigstone and Hythe and the closing of the acquisition in the Peace River Arch area by the end of July, 2008. Delphi continues to deliver quarter over quarter growth and is well positioned for future production increases within its core assets. The Company’s production portfolio for the nine months ended September 30, 2008 was weighted 87 percent to natural gas, six percent to crude oil and seven percent to natural gas liquids.



Crude oil production was 36 percent lower for the three months ended September 30, 2008 primarily due to downtime in east central Alberta and natural production declines in the Bigstone area.

REALIZED SALES PRICES

For the three and nine months ended September 30, 2008, Delphi realized a loss from its risk management program of $0.1 million and $1.8 million, respectively.

For the quarter, the realized loss was $0.02 per mcf with physical contracts contributing a loss of $0.05 per mcf and financial contracts contributing a gain of $0.03 per mcf. For the three months ended September 30, 2008, the average realized gas price was 15 percent higher than the comparable period due to an increase in the price of natural gas.

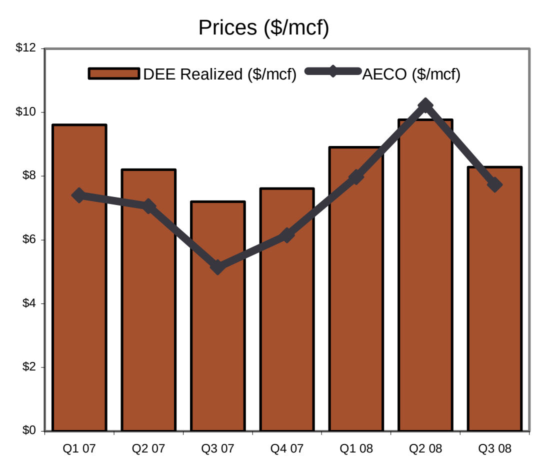
	Three Months Ended September 30			Nine Months Ended September 30		
	2008	2007	% Change	**2008**	2007	% Change
AECO ($/mcf)	**7.73**	5.20	49	**8.64**	6.57	32
Heating content and marketing ($/mcf)	**0.57**	0.50	14	**0.53**	0.54	(2)
Gain (loss) on physical contracts ($/mcf)	**(0.05)**	1.23	-	**(0.20)**	1.01	-
Gain (loss) on financial contracts ($/mcf)	**0.03**	0.27	(89)	**(0.01)**	0.10	-
Realized gas price ($/mcf)	**8.28**	7.20	15	**8.96**	8.22	9
Realized oil price ($/bbl)	**111.34**	61.97	80	**103.54**	58.77	76
Realized natural gas liquids price ($/bbl)	**93.26**	65.10	43	**94.94**	57.15	66
Total realized sales price ($/boe)	**59.09**	46.81	26	**61.72**	50.82	21

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

The following table outlines the premium (discount) Delphi realized on natural gas prices compared to the average quarterly AECO price due to the risk management program, quality of production and gas marketing arrangements. The second quarter of 2008 was the first quarter in the past ten quarters in which Delphi realized a net hedging loss in its risk management program as natural gas prices soared to temporary highs above $11.75 per mcf for AECO.

	Sept. 30 2008	Jun. 30 2008	Mar. 31 2008	Dec. 31 2007	Sept. 30 2007	Jun. 30 2007	Mar. 31 2007	Dec. 31 2006
Natural Gas Price								
Delphi realized ($/mcf)	**8.28**	9.77	8.91	7.61	7.20	8.20	9.61	8.41
AECO average ($/mcf)	**7.73**	10.22	7.97	6.15	5.14	7.06	7.40	6.90
Premium(discount) to AECO	**7%**	(4%)	12%	24%	40%	16%	30%	22%
Hedging gain (loss) ($000's)	**(60)**	(3,153)	1,371	2,996	3,875	1,130	2,780	2,987

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



RISK MANAGEMENT ACTIVITIES

Delphi enters into both financial and physical commodity contracts as part of its risk management program to manage commodity price fluctuations designed to ensure sufficient cash is generated to fund its capital program particularly when commodity prices are extremely volatile. Delphi makes a concerted effort to hedge production volumes at prices greater than the upper limit of the historical three to five year AECO price range of $5.25 to $8.40 per mcf and is quick to react to price aberrations such as those experienced at the end of 2005. Another component of the risk management program is to layer in fixed price contracts over a period of time, as opposed to locking in a significant portion of volumes at any one point in time, to take advantage of unexpected price spikes. For natural gas production, Delphi has hedged approximately 41 percent of its natural gas production at a predominately AECO based average floor price of $8.02 per mcf for the fourth quarter of 2008.

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

The Company recognized an unrealized non-cash gain on financial contracts and US dollar denominated physical contracts of $7.6 million in the third quarter of 2008 and $0.1 million in the nine months ended September 30, 2008. The fair values of these contracts are based on an approximation of the amounts that would have been paid to or received from counterparties to settle the contracts outstanding at the end of the period having regard to forward prices and market values provided by independent sources. Due to the inherent volatility in commodity prices, actual amounts realized may differ from these estimates.

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

Time Period	Commodity	Type of Contract	Quantity Contracted	Contract Price ($/unit)
April 2008 – October 2008	Natural Gas	Physical	4,000 GJ/d	$7.21 fixed
April 2008 – October 2008	Natural Gas	Physical	3,000 GJ/d	$7.61 fixed
April 2008 – October 2008	Natural Gas	Physical	2,000 mmbtu/d	U.S. $8.00 fixed
April 2008 – October 2008	Natural Gas	Financial	1,000 GJ/d	$8.07 fixed
April 2008 – October 2008	Natural Gas	Financial	1,000 GJ/d	$8.07 fixed
April 2008 – October 2008	Natural Gas	Financial	1,000 GJ/d	$7.75 floor/$9.55 ceiling
April 2008 – December 2008	Natural Gas	Physical	2,000 GJ/d	$7.82 fixed
April 2008 – March 2009	Natural Gas	Physical	2,000 GJ/d	$7.30 fixed
November 2008 – March 2009	Natural Gas	Physical	4,000 GJ/d	$7.46 fixed
November 2008 – March 2009	Natural Gas	Financial	2,000 GJ/d	$7.62 fixed
November 2008 – March 2009	Natural Gas	Physical	2,000 GJ/d	$7.00 floor/$8.05 ceiling
November 2008 – March 2009	Natural Gas	Physical	2,000 mmbtu/d	U.S. $9.00 fixed
November 2008 – March 2009	Natural Gas	Financial	1,000 GJ/d	$8.00 floor/$11.07 ceiling
April 2009 – October 2009	Natural Gas	Physical	1,000 GJ/d	$7.08 fixed
April 2009 – October 2009	Natural Gas	Physical	2,000 GJ/d	$8.25 floor/$10.00 ceiling
April 2009 – October 2009	Natural Gas	Physical	1,000 mmbtu/d	U.S. $8.18 fixed
April 2009 – October 2009	Natural Gas	Physical	2,000 GJ/d	$8.59 fixed
April 2009 – October 2009	Natural Gas	Physical	2,000 GJ/d	$6.70 floor plus 50% > $6.70
November 2009 – March 2010	Natural Gas	Physical	2,000 GJ/d	$7.65 floor plus 50% > $7.65

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.

The combination of the significant increase in natural gas prices in the second quarter and the Alberta royalty changes, which become effective January 1, 2009, have caused the Company to be very cautious in executing additional risk management contracts for 2009. Based on past natural gas pricing cycles, the Company would have normally executed additional contracts at forward prices which were available early in the third quarter. However, in light of the proposed new royalty rates, which will result in a greater percentage of the prices going to the Alberta government, the Company is concerned about the effect this combination may have on the Company's natural gas netbacks on hedged volumes if natural gas prices do increase substantially going forward. The Company has chosen to utilize natural gas puts and/or participating swaps as part of its risk management strategy to mitigate these affects.

REVENUE

	Three Months Ended September 30			Nine Months Ended September 30		
	2008	2007	% Change	**2008**	2007	% Change
Natural gas (including physical hedges)	**25,660**	17,970	43	**79,661**	56,799	40
Crude oil	**3,769**	3,301	14	**10,667**	7,333	45
Natural gas liquids	**3,573**	2,528	41	**11,342**	6,396	77
Sulphur	**1,362**	54	2,422	**3,662**	54	6,681
Realized gain (loss) on risk management	**97**	695	(86)	**(90)**	719	-
Total	**34,461**	24,548	40	**105,242**	71,301	48

The increase in revenue over the comparative periods is attributed to the increase in production volumes and the increase in crude oil and natural gas prices. For the three months ended September 30, 2008 revenue increased 40 percent over the comparative period due to a 12 percent increase in production volumes and a 15 percent increase in the realized natural gas price and $1.3 million of incremental sulphur revenue.

ROYALTIES

	Three Months Ended September 30			Nine Months Ended September 30		
	2008	2007	% Change	**2008**	2007	% Change
Total	**6,352**	3,437	85	**20,560**	10,488	96
Per boe	**10.77**	6.55	64	**12.06**	7.48	61
Percent of revenue including realized hedges	**18.4**	14.0	31	**19.5**	14.7	33
Percent of revenue excluding realized hedges	**18.4**	16.6	11	**19.2**	16.5	16

The Company pays royalties to provincial governments (Crown), freeholders, which can be individuals or companies, and other oil and gas operators that own surface or mineral rights. Crown royalty rates are calculated on a sliding scale based on commodity prices and individual well production rates. Royalty rates can change due to price fluctuations or changes in production volumes on a well by well basis subject to a minimum and maximum rate restriction ascribed by the Crown. For the three months ended September 30, 2008, royalties as a percentage of revenue increased over the comparative period due to Tower Creek being off royalty holiday, hedge losses realized compared to gains in the comparative period and increased commodity prices realized in the quarter. Delphi is expecting royalties as a percentage of revenue, before hedging, to be between 18 and 20 percent for the remainder of 2008.

OPERATING EXPENSES

	Three Months Ended September 30			Nine Months Ended September 30		
	2008	2007	% Change	**2008**	2007	% Change
Total	**6,186**	4,352	42	**17,507**	12,987	35
Per boe	**10.49**	8.30	26	**10.27**	9.26	11

Operating expenses on a per boe basis for the three and nine month period ended September 30, 2008, increased 26 percent and 11 percent, respectively over the comparative periods. The increase in operating costs is primarily due to a high level of workover and maintenance activity in 2008 compared to 2007. In addition, the Company incurred significant cost adjustments for prior years from the facility operator on the newly acquired Hythe property. Delphi expects operating costs to be $9.00 to $9.50 per boe for the remainder of 2008.

TRANSPORTATION EXPENSES

	Three Months Ended September 30			Nine Months Ended September 30		
	2008	2007	% Change	**2008**	2007	% Change
Total	**1,499**	1,530	(2)	**4,624**	4,761	(3)
Per boe	**2.54**	2.92	(13)	**2.71**	3.39	(20)

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

On a per boe basis, transportation costs for the three and nine months ended September 30, 2008 decreased by 13 percent and 20 percent, respectively over the comparative periods. The decrease is attributed to higher production volumes with fixed firm service fees for production and lower transportation costs at Hythe, Alberta acquired in exchange for the Bigfoot area in the third quarter of 2007. Effective November 1, 2007 and continuing on November 1, 2008 Delphi transferred a portion of its excess processing and transmission capacity to third party producers for a minimum of one year to a maximum of three years resulting in reduced transportation costs.

GENERAL AND ADMINISTRATIVE

	Three Months Ended September 30			Nine Months Ended September 30		
	2008	2007	% Change	**2008**	2007	% Change
General and administrative costs	**1,989**	1,413	41	**6,975**	4,638	50
Overhead recoveries	**(338)**	(158)	114	**(882)**	(515)	71
Salary allocations	**(640)**	(607)	5	**(2,764)**	(1,862)	48
Net	**1,011**	648	56	**3,329**	2,261	47
Per boe	**1.71**	1.24	38	**1.95**	1.61	21

On a per boe basis, general and administrative (G&A) costs for the three and nine months ended September 30, 2008 increased 38 percent and 21 percent over the comparative periods in 2007. The increase is due to additional technical staff hired year over year. As a result of high levels of activity for Delphi and for the industry as a whole, the costs associated with hiring, compensating and retaining employees and consultants have risen. Delphi is committed to continuing to deliver strong growth and believes a strong technical team is paramount to achieve this goal. Delphi expanded its team in 2008 with the addition of two senior exploitation engineers and a new land manager. For the remainder of 2008, Delphi is expecting G&A per boe to decrease slightly as additional production volumes are achieved.

STOCK-BASED COMPENSATION

	Three Months Ended September 30			Nine Months Ended September 30		
	2008	2007	% Change	**2008**	2007	% Change
Total	**243**	431	(44)	**735**	745	(1)
Per boe	**0.41**	0.82	(50)	**0.43**	0.53	(19)

Stock-based compensation expense is the amortization over the vesting period of the fair value of stock options granted to employees, directors and key consultants of the Company. The fair value of all options granted is estimated at the date of grant using the Black-Scholes option pricing model. The non-cash compensation expense for the three and nine months ended September 30, 2008, decreased 44 percent and one percent. During the three and nine months ended September 30, 2008, Delphi capitalized $0.5 million and $1.3 million of stock-based compensation associated with exploration and development activities.

INTEREST

	Three Months Ended September 30			Nine Months Ended September 30		
	2008	2007	% Change	**2008**	2007	% Change
Total	**1,253**	1,981	(37)	**4,038**	6,070	(33)
Per boe	**2.13**	3.78	(44)	**2.37**	4.33	(45)

For the three and nine months ended September 30, 2008, interest expense on a per boe basis decreased 44 percent and 45 percent over the comparable periods due to lower interest costs from reduced interest rates and higher production volumes. Delphi anticipates interest per boe will decrease throughout the year as debt is paid down and production is brought on stream.

DEPLETION, DEPRECIATION AND ACCRETION

	Three Months Ended September 30			Nine Months Ended September 30		
	2008	2007	% Change	**2008**	2007	% Change
Depletion and depreciation	**15,895**	13,643	17	**45,762**	35,002	31
Accretion expense	**155**	131	18	**450**	453	-
Total	**16,050**	13,774	17	**46,212**	35,455	30
Per boe	**27.22**	26.26	4	**27.10**	25.27	7

Depletion, depreciation, and accretion per boe for the three and nine months ended September 30, 2008 increased four percent and seven percent due to higher cost proved reserve additions. With the success at Bigstone and Hythe, Delphi is in an excellent position to add proved reserves at metrics below the Company's current depletion rate. The increase in total depletion and depreciation versus the comparative periods is a result of increased production levels and a higher per boe rate.

Accretion expense of asset retirement obligations relates to the passing of time until the Company estimates it will retire its assets and restore the asset locations to a condition which meets or exceeds environmental standards. Due to the long term nature of certain assets of the Company, this accretion expense is estimated to extend over a term of three to 20 years. The Company uses a credit adjusted risk-free discount rate of eight percent for the purpose of calculating the fair value of its asset retirement obligations and hence the accretion expense. The accretion expense for the three months ended September 30, 2008 increased 18 percent over the comparative period due to the additional wells at Hythe.

TAXES

	Three Months Ended September 30			Nine Months Ended September 30		
	2008	2007	% Change	**2008**	2007	% Change
Current	**-**	-	-	**-**	-	-
Future (reduction)	**2,750**	(411)	-	**2,230**	740	201
Total	**2,750**	(411)	-	**2,230**	740	201
Effective rate	**29**	23	26	**27**	3	800
Per boe	**4.66**	(0.78)	-	**1.31**	0.71	84

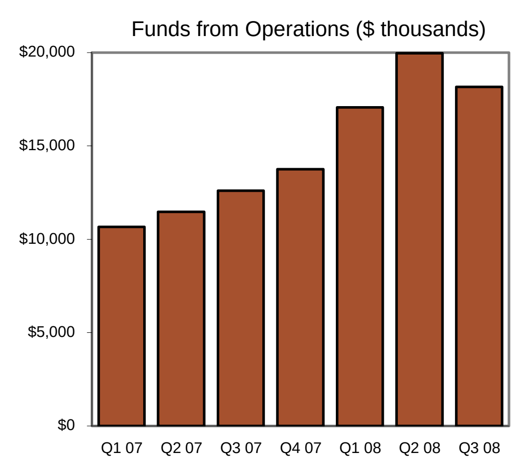
The provision for income taxes in the financial statements for the three months ended September 30, 2008, was $2.8 million. For the nine months ended September 30, 2008, the provision for income taxes was $2.2 million. The significant change in taxes is due to an improvement in earnings before taxes. Delphi does not anticipate it will be cash taxable until late 2009.

FUNDS FROM OPERATIONS

	Three Months Ended September 30			Nine Months Ended September 30		
	2008	2007	% Change	**2008**	2007	% Change
Net earnings (loss)	**6,744**	(1,348)	-	**6,053**	(12,204)	-
Non-cash items:						
Depletion, depreciation and accretion	**16,050**	13,774	17	**46,212**	35,455	30
Impairment of goodwill	**-**	-	-	**-**	12,100	(100)
Unrealized loss on risk management activities	**(7,627)**	154	-	**(46)**	(1,691)	(97)
Stock-based compensation expense	**243**	431	(44)	**735**	745	(1)
Future income taxes (reduction)	**2,750**	(411)	-	**2,230**	329	578
Funds from operations	**18,160**	12,600	44	**55,184**	34,734	59

For the three and nine months ended September 30, 2008, funds from operations were $18.2 million ($0.24 per basic share) and $55.2 million ($0.77 per basic share) compared to $12.6 million ($0.19 per basic share) and $34.7 million ($0.52 per basic share) in the comparative period.

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



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

	Three Months Ended September 30			Nine Months Ended September 30		
	2008	2007	% Change	**2008**	2007	% Change
Funds from operations: Non-GAAP	**18,160**	12,600	44	**55,184**	34,734	59
Settlement of asset retirement obligations	**-**	(11)	(100)	**-**	(457)	(100)
Change in non-cash working capital	**1,051**	(1,541)	-	**(10,668)**	4,095	(361)
Cash flow from operating activities: GAAP	**19,211**	11,048	74	**44,516**	38,372	16

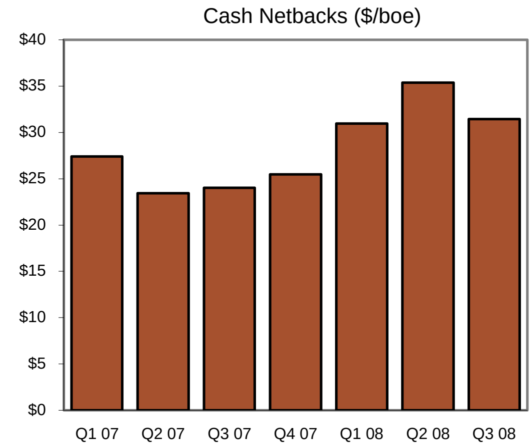
NET EARNINGS

For the three and nine months ended September 30, 2008, Delphi recorded net earnings of $6.7 million and $6.1 million, respectively. Net earnings were affected by non-cash items such as depletion, depreciation and accretion, unrealized gain or loss on risk management activities, stock-based compensation, impairment provisions and future income taxes. These non-cash items represent the majority of the significant difference between funds from operations and net earnings.

NETBACK ANALYSIS

	Three Months Ended September 30			Nine Months Ended September 30		
	2008	2007	% Change	**2008**	2007	% Change
Barrels of oil equivalent ($/boe)						
Realized sales price	**59.09**	46.81	26	**61.72**	50.82	21
Royalties, net of ARTC	**10.77**	6.55	64	**12.06**	7.48	61
Operating expenses	**10.49**	8.30	26	**10.27**	9.26	11
Transportation	**2.54**	2.92	(13)	**2.71**	3.39	(20)
Operating netback	**35.29**	29.04	22	**36.68**	30.69	20
G&A	**1.71**	1.24	38	**1.95**	1.61	21
Interest	**2.13**	3.78	(44)	**2.37**	4.33	(45)
Cash netback	**31.45**	24.02	31	**32.36**	24.75	31
Unrealized loss (gain) on financial contracts	**(12.93)**	0.29	-	**(0.03)**	(1.21)	(98)
Stock-based compensation expense	**0.41**	0.82	(50)	**0.43**	0.53	(19)
Depletion, depreciation and accretion	**27.22**	26.26	4	**27.10**	25.27	7
Impairment of goodwill	**-**	-	-	**-**	8.62	(100)
Future income taxes (reduction)	**4.66**	(0.78)	-	**1.31**	0.23	458
Net earnings (loss)	**12.09**	(2.57)	-	**3.55**	(8.69)	-

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



LIQUIDITY AND CAPITAL RESOURCES

For the nine months ended September 30, 2008, Delphi funded its capital program through a combination of funds from operations, the issuance of common shares, the issuance of flow-through common shares, proceeds on dispositions and increased its bank debt to reduce the working capital deficiency.

Funding

	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2008
Sources:		
Funds from operations	**18,160**	55,184
Disposition of petroleum and natural gas properties	**5,500**	8,450
Issue of common shares, net of issue costs	**16,206**	17,555
Issue of flow-through common shares	**12,002**	12,002
Change in non-cash working capital	**9,961**	-
	61,829	93,191
Uses:		
Cash	**601**	1,130
Capital expenditures	**27,132**	61,119
Acquisition of petroleum and natural gas properties	**34,096**	37,946
Change in non-cash working capital	**-**	996
	61,829	101,191
Increase in bank debt	**-**	8,000

Share Capital

At September 30, 2008, the Company had 79.1 million common shares outstanding (September 30, 2007 – 68.1 million). The common shares of Delphi trade on the TSX under the symbol DEE. The following table summarizes outstanding share data for the three and nine months ended September 30, 2008.

	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2008
Weighted Average Common Shares		
Basic	**77,222**	71,472
Diluted	**78,157**	72,330
Trading Statistics [1]		
High	**3.08**	3.43
Low	**1.44**	1.44
Average daily, volume	**228,305**	230,104

[1] Trading statistics based on closing price

As at November 4, 2008 the Company had 79.1 million common shares outstanding and 4.7 milllion stock options outstanding.

Bank Debt plus Working Capital Deficiency

At September 30, 2008, the Company had $90.0 million outstanding on its credit facility and a working capital deficit of $16.5 million for total debt plus working capital deficit of $106.5 million excluding the financial asset of $1.2 million relating to the unrealized gain on financial commodity contracts and the related current future income tax liability of $0.3 million. Delphi anticipates spending less than projected funds from operations on field capital expenditures during 2008.

The capital intensive nature of the industry will generally result in the Company having a working capital deficiency. The Company has a revolving facility for $130.0 million with a syndicate of Canadian chartered banks. The facility is a 364 day committed revolving facility with a one year term out provision. The credit facility bears interest based on a sliding scale tied to the Company's trailing debt to funds from operations ratio: from a minimum of the bank's prime rate to a maximum of the bank's prime rate plus 1.5 percent. In addition to the revolving term facility, the Company has a $10.0 million development facility. The pricing grid on the development facility is 0.25 percent higher than the revolving term facility.

Contractual Obligations

The Company has a 364 day committed revolving credit facility with a syndicate of Canadian chartered banks which is available until May 31, 2009, the term out date. The term out date may be extended for an additional 364 days upon approval by the banks. Following the term out date, the facilities would become non-revolving for a one year term, at which time the balance outstanding will be due and payable.

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

The future minimum commitments are as follows:

	2008	2009	2010	2011	2012
Bank debt	-	-	90,000	-	-
Gas transmission and treatment	1,099	4,608	5,127	4,575	2,764
Office lease	261	1,047	1,061	1,067	1,081
Total	1,360	5,655	96,188	5,642	3,845

GUARANTEES AND OFF-BALANCE SHEET ARRANGEMENTS

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

CRITICAL ACCOUNTING ESTIMATES

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

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

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

CHANGES IN ACCOUNTING POLICIES AND FILING REQUIREMENTS

Financial Instruments

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

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

(a) Risk management overview

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

(b) Fair value of financial assets and liabilities

The Company's financial instruments as at September 30, 2008 include cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, bank debt and risk management asset or liability.

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

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

(c) Market risk

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

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

Foreign currency exchange rate risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. Although substantially all of the Company's petroleum and natural gas sales are denominated in Canadian dollars, the underlying market prices in Canada for petroleum and natural gas are affected by changes in the exchange rate between the Canadian and United States dollar. The exchange rate could affect the values of certain contracts, however, this indirect influence cannot be accurately quantified. The Company had no foreign exchange rate swap or related financial contracts in place as at September 30, 2008.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in the market interest rates. The Company is exposed to interest rate risk to the extent that bank debt is at a floating rate of interest. The Company had no interest rate swap or related financial contracts in place as at September 30, 2008. As at September 30, 2008, if interest rates had been 100 basis points lower with all other variables held constant, the net income for the period would have been $0.2 million (2007- $0.3 million) higher, due to lower interest expense.

Commodity price risk

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

(d) Credit risk

Credit risk represents the financial loss to the Company if counterparties to a financial instrument fail to meet their contractual obligations and arise principally from the Company's receivables from joint venture partners, counterparties to forward sales contracts and product marketers. All of the Company's accounts receivable are with customers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. With respect to counterparties to financial instruments, the Company partially mitigates associated credit risk by limiting transactions to counterparties with investment grade credit ratings.

Receivables from petroleum and natural gas marketers are normally collected on the 25^{th} day of the month following production. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with large purchasers. The Company attempts to mitigate the risk of loss from joint venture receivables by obtaining partner approval for significant capital expenditures prior to expenditure. However, partners are exposed to various industry and market risks that could result in non-collection. The Company does not typically obtain collateral from natural gas marketers or joint venture partners; however, the Company does have the ability to withhold proceeds of production from joint venture partners in the event of non-payment.

The carrying amount of cash and accounts receivable represent the maximum credit exposure. The Company does not have an allowance for doubtful accounts as at September 30, 2008 and 2007 and was not required to write-off any receivables during the quarter.

As at September 30, 2008 the Company considers its receivables to be aged as follows:

	September 30, 2008
Current (less than 30 days)	**12,494**
Past due (31-90 days)	**2,291**
Past due (more than 90 days)	**1,679**
Total	**16,464**

(e) Liquidity risk

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

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

The following are the contractual maturities of financial liabilities as at September 30, 2008:

Financial liabilities	< 1 Year	1 – 2 Years	3 – 5 Years	Thereafter
Accounts payable and accrued liabilities	37,394	-	-	-
Bank debt – principal	-	90,000	-	-
Total	37,394	90,000	-	-

International Financial Reporting Standards (IFRS)

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The eventual changeover to IFRS represents changes due to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations.

The Company has not completed development of its IFRS changeover plan, which will include project structure and governance, resourcing and training, analysis of key GAAP differences and a phased plan to assess accounting policies under IFRS as well as potential IFRS 1 exemptions. The Company expects to complete its project scoping, which will include a timetable for assessing the effects on data systems, internal controls over financial reporting, and business activities, such as financing and compensation arrangements, by December 31, 2008.

The International Accounting Standards Board (IASB) has issued an exposure draft relating to certain amendments to IFRS 1 in response to potential challenges in jurisdictions, including Canada, adopting IFRS for the first time. The IASB is proposing additional optional exemptions, one of which relates to full cost oil and gas accounting, resulting in a reduced administrative transition from the current Canadian full cost accounting for oil and gas activities to IFRS. The exemption would permit the Company to measure exploration and evaluation assets under IFRS at the carrying amount determined under GAAP at the date of transition to IFRS. In addition, the carrying amount under GAAP of production or development assets could be allocated on a pro rata basis to the underlying assets using either reserve volumes or reserve values at the date of transition. The assets to which this exemption has been applied would be required to be tested for impairment at the date of transition under IFRS standards. Comments on the exposure draft are due by January 23, 2009.

CORPORATE GOVERNANCE

Overview

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

Disclosure Controls and Procedures

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

2008 OUTLOOK

Strategy

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

2008 Capital Activities

The capital program, excluding acquisitions, for 2008 is expected to be approximately $62.0 to $65.0 million for the drilling of approximately 20 to 25 net wells. The Company has allocated approximately one-third of its capital to each of Bigstone and Hythe with the remaining one-third to be allocated to other areas throughout the year. The majority of the expenditures through the winter drilling season were allocated to Bigstone. In the latter half of the year, the majority of the capital has been directed towards Hythe, now that the technical teams have had sufficient time to evaluate the multi-zone nature of this significant land base. Positive results from the capital program and secure financial resources continue to be the main drivers of Delphi's capital investing decision making in the context of natural gas prices and the proposed Alberta royalty regime changes. Delphi is well positioned to internally finance its capital program through funds from operations and if necessary, available bank lines.

2008 and 2009 Production Guidance

The Company continues to forecast average production volumes for 2008 to be in the 6,350 to 6,550 boe/d range, an increase of 20 percent over the average production volumes in 2007. Delphi's production guidance for the fourth quarter of 2008 is expected to average between 6,800-7,000 boe/d, approximately an 18 percent increase over the fourth quarter of 2007. The volumes will continue to be dominated by natural gas production of approximately 85 percent. Upon closing of the acquisition in July, Delphi provided production guidance of 7,700 to 8,300 boe/d for 2009 based on an average AECO natural gas price of $8.00 per mcf, generating approximately $75.0 to $80.0 million of cash flow with the capital program for 2009 in the context of the cash flow generated. A lower average AECO price would result in reduced cash flow and capital program leading to a potential decrease in production guidance.

Alberta Royalty Review

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

ADDITIONAL INFORMATION

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

***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.*

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

DELPHI ENERGY CORP.

Consolidated Balance Sheets (unaudited)

($ thousands)	**September 30 2008**	December 31 2007
Assets		
Current assets		
Cash	**1,130**	-
Accounts receivable	**16,464**	12,604
Prepaid expenses and deposits	**3,268**	2,752
Risk management asset (Note 8)	**1,159**	1,113
	22,021	16,469
Property, plant and equipment (Note 4)	**343,985**	295,266
Total assets	**366,006**	311,735
Liabilities		
Current liabilities		
Bank indebtedness	**1,492**	-
Accounts payable and accrued liabilities	**35,902**	34,014
Future Income taxes	**346**	-
	37,740	34,014
Long term debt (Note 5)	**90,000**	82,000
Future income taxes	**34,615**	28,162
Asset retirement obligations (Note 6)	**10,181**	7,183
	172,190	151,359
Shareholders' equity		
Share capital (Note 7)	**174,934**	148,898
Contributed surplus (Note 7)	**9,241**	8,236
Retained earnings	**9,295**	3,242
Total shareholders' equity	**193,470**	160,376
Total liabilities and shareholders' equity	**366,006**	311,735

Commitments (Note 9)

See accompanying notes to the interim consolidated financial statements.

DELPHI ENERGY CORP.

Consolidated Statements of Earnings (Loss), Comprehensive Income (Loss) and Retained Earnings (unaudited)
For the three and nine months ended September 30

	Three Months Ended September 30		Nine Months Ended September 30	
($ thousands, except per unit amounts)	**2008**	2007	**2008**	2007
Revenue				
Petroleum and natural gas sales	**34,364**	23,853	**105,332**	70,582
Realized gain (loss) on risk management activities	**97**	695	**(90)**	719
	34,461	24,548	**105,242**	71,301
Royalties	**(6,352)**	(3,437)	**(20,560)**	(10,488)
Unrealized gain (loss) on risk management activities	**7,627**	(154)	**46**	1,691
	35,736	20,957	**84,728**	62,504
Expenses				
Operating	**6,186**	4,352	**17,507**	12,987
Transportation	**1,499**	1,530	**4,624**	4,761
General and administrative	**1,011**	648	**3,329**	2,261
Stock-based compensation (Note 7)	**243**	431	**735**	745
Interest	**1,253**	1,981	**4,038**	6,070
Depletion, depreciation and accretion	**16,050**	13,774	**46,212**	35,455
Impairment of goodwill	**-**	-	**-**	12,100
	26,242	22,716	**76,445**	74,379
Earnings (loss) before taxes	**9,494**	(1,759)	**8,283**	(11,875)
Taxes				
Current	**-**	-	**-**	-
Future (reduction)	**2,750**	(411)	**2,230**	329
	2,750	(411)	**2,230**	329
Net earnings (loss) and comprehensive income (loss)	**6,744**	(1,348)	**6,053**	(12,204)
Retained earnings, beginning of period	**2,551**	2,858	**3,242**	13,714
Retained earnings, end of period	**9,295**	1,510	**9,295**	1,510
Net earnings (loss) per share (Note 7)				
Basic and diluted	**0.09**	(0.02)	**0.08**	(0.18)

See accompanying notes to the interim consolidated financial statements.

DELPHI ENERGY CORP.

Consolidated Statements of Cash Flows (unaudited)

For the three and nine months ended September 30

	Three Months Ended September 30		Nine Months Ended September 30	
($ thousands)	**2008**	2007	**2008**	2007
Cash flow from operating activities				
Net earnings (loss)	**6,744**	(1,348)	**6,053**	(12,204)
Add non-cash items:				
Depletion, depreciation and accretion	**16,050**	13,774	**46,212**	35,455
Impairment of goodwill	**-**	-	**-**	12,100
Stock-based compensation	**243**	431	**735**	745
Unrealized (gain) loss on risk management activities	**(7,627)**	154	**(46)**	(1,691)
Future taxes (reduction)	**2,750**	(411)	**2,230**	329
Expenditures on asset retirement obligations	**-**	(11)	**-**	(457)
Change in non-cash working capital	**1,051**	(1,541)	**(10,668)**	4,095
	19,211	11,048	**44,516**	38,372
Cash flow from (used in) financing activities				
Issue of flow-through common shares	**12,002**	-	**12,002**	16,877
Issue of common shares, net of issue costs	**16,206**	-	**17,555**	32
Increase (decrease) in long term debt	**-**	(12,900)	**8,000**	(25,000)
	28,208	(12,900)	**37,557**	(8,091)
Cash flow from (used in) investing activities				
Capital expenditures	**(27,132)**	(14,626)	**(61,119)**	(34,933)
Disposition of petroleum and natural gas properties	**5,500**	15,502	**8,450**	15,502
Acquisition of petroleum and natural gas properties	**(34,096)**	-	**(37,946)**	(10,871)
Change in non-cash working capital	**8,910**	1,850	**9,672**	138
	(46,818)	2,726	**(80,943)**	(30,164)
Increase in cash and cash equivalents	**601**	874	**1,130**	117
Cash and cash equivalents, beginning of period	**529**	-	**-**	757
Cash and cash equivalents, end of period	**1,130**	874	**1,130**	874
Interest paid	**880**	1,618	**3,666**	5,496

See accompanying notes to the interim consolidated financial statements.

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

NOTE 1: DESCRIPTION OF BUSINESS

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3: NEW DISCLOSURES

Financial Instruments – Disclosure and Presentation

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

NOTE 4: PROPERTY, PLANT AND EQUIPMENT

As at September 30, 2008	Cost	Accumulated depletion and depreciation	Net book value
Petroleum and natural gas properties	**395,400**	**154,801**	**240,599**
Production equipment	**128,259**	**25,163**	**103,096**
Furniture, fixtures and office equipment	**843**	**553**	**290**
	524,502	**180,517**	**343,985**

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

On July 24, 2008, the Company closed an acquisition of crude oil and natural gas properties in northwest Alberta for total cash consideration of $37.9 million. A cash payment of $3.8 million had been recorded as a deposit towards the acquisition in the previous quarter.

As at September 30, 2008, costs in the amount of $7.4 million (December 31, 2007 - $10.8 million) representing unproved properties were excluded from the depletion calculation and estimated future development costs of $6.8 million (December 31, 2007 - $15.7 million) have been included in costs subject to depletion. All costs of unproved properties have been capitalized. Ultimate recoverability of these costs will be dependent upon finding proved oil and natural gas reserves.

For the nine months ended September 30, 2008, the Company capitalized $1.3 million (September 30, 2007 - $1.7 million) of general and administrative costs directly related to exploration and development activities.

NOTE 5: LONG TERM DEBT

As of September 30, 2008, the Company had a revolving credit facility for $130.0 million with a syndicate of Canadian chartered banks. The facility is a 364 day committed revolving facility with a one year term out provision (see note 9). The credit facility bears interest based on a sliding scale tied to the Company’s trailing debt to cash flow: from a minimum of the bank’s prime rate to a maximum of the bank’s prime rate plus 1.5 percent.

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

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

NOTE 6: ASSET RETIREMENT OBLIGATIONS

The Company’s asset retirement obligations result from working interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The Company estimates the total undiscounted amount of cash flows required to settle its asset retirement obligations, over the next three to twenty years, is approximately $21.1 million (September 30, 2007 - $18.7 million). A credit-adjusted risk-free discount rate of 8.0 percent and an inflation rate of 2.5 percent were used to calculate the estimated fair value of the asset retirement obligations.

A reconciliation of the asset retirement obligations is provided below.

	September 30, 2008	December 31, 2007
Balance, beginning of period	**7,183**	7,951
Liabilities incurred	**271**	1,017
Liabilities disposed	**(83)**	(1,873)
Liabilities acquired	**2,360**	-
Liabilities settled	**-**	(550)
Accretion expense	**450**	638
Balance, end of period	**10,181**	7,183

NOTE 7: SHARE CAPITAL

(a) Authorized

An unlimited number of common shares.

An unlimited number of preferred shares issuable in series.

(b) Common shares issued

	September 30, 2008		December 31, 2007	
	Outstanding shares (000's)	**Amount**	Outstanding shares (000's)	Amount
Balance, beginning of period	**68,070**	**148,898**	60,663	139,108
Issue of flow-through common shares	**3,530**	**12,002**	7,350	18,007
Issue of common shares	**6,316**	**18,000**	-	-
Exercise of stock options	**1,151**	**1,532**	57	83
Allocated from contributed surplus	**-**	**707**	-	39
Share issue costs	**-**	**(1,977)**	-	(1,208)
Future tax effect of share issue costs	**-**	**530**	-	369
Tax benefit renounced to shareholders	**-**	**(4,758)**	-	(7,500)
Balance, end of period	**79,067**	**174,934**	68,070	148,898

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

On July 17, 2008, the Company issued 6.32 million common shares at a price of $2.85 per share and 3.53 million flow-through common shares at $3.40 per share for gross proceeds of $30.0 million.

The Company has incurred the necessary qualifying exploration expenditures to satisfy the terms of the flow-through common shares issued in 2007. Although the Company believes it has incurred the necessary qualifying expenditures, these amounts may be subject to audit and subsequent interpretation by the Canada Revenue Agency. The Company has an obligation to incur qualifying exploration expenditures of $12.0 million by December 31, 2009 to satisfy the obligation relating to the issuance of flow-through shares in 2008. As at September 30, 2008, the Company has a remaining requirement to incur approximately $6.0 million of qualifying expenditures to fully satisfy this obligation.

(c) Stock options

The Company has established a stock option plan under which it has granted options to acquire common shares to certain officers, directors, employees and key consultants. The plan provides for the granting of options equal to ten percent of the issued and outstanding common shares of the Company. Options issued under the plan have a term of five years to expiry and vest over a two-year period starting on the date of the grant. The exercise price of each option equals the 5 day weighted average of the closing market price of the Company's common shares, immediately preceding the date of the grant. As at September 30, 2008 there were 4.7 million options to purchase shares outstanding.

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

	September 30, 2008		December 31, 2007	
	Outstanding options (000's)	**Weighted average exercise price**	Outstanding options (000's)	Weighted average exercise price
Balance, beginning of period	**5,481**	**1.60**	4,229	3.40
Granted	**565**	**2.35**	4,500	1.67
Cancelled	**-**	**-**	(3,070)	4.09
Forfeited	**(154)**	**1.56**	(121)	3.92
Exercised	**(1,151)**	**1.33**	(57)	1.45
Balance, end of period	**4,741**	**1.76**	5,481	1.60
Exercisable at end of period	**1,682**	**1.74**	2,481	1.52

The following table summarizes information about the stock options outstanding and exercisable at September 30, 2008.

	Options outstanding			Options exercisable	
Range of exercise price	Outstanding options (000's)	Weighted average exercise price	Weighted average remaining term (years)	Exercisable (000's)	Weighted average exercise price
$1.45 - $1.79	**4,461**	**1.68**	**4.1**	**1,589**	**1.67**
$1.80 - $3.34	**280**	**2.94**	**4.6**	**93**	**2.94**
Total	**4,741**	**1.76**	**4.1**	**1,682**	**1.74**

(d) Stock-based compensation

The Company accounts for its stock-based compensation using the fair value method for all stock options. For the nine months ended September 30, 2008 Delphi recorded non-cash compensation expense of $0.7 million (September 30, 2007- $0.7 million). The Company capitalized $1.0 million (September 30, 2007 - $0.8 million) of stock-based compensation directly related to exploration and development activities.

During the nine month period ended September 30, 2008 the Company granted 0.6 million options. The fair value of all options granted during the period are estimated at the date of grant using the Black-Scholes option pricing model. The weighted average fair value of options granted during the period was $1.27 per share. The assumptions used in the Black-Scholes model to determine fair value were as follows.

	Nine months ended September 30, 2008
Risk free interest rate (%)	**5.0**
Expected life (years)	**5.0**
Expected volatility (%)	**55.0**

(e) Contributed surplus

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

	September 30, 2008	December 31, 2007
Balance, beginning of period	**8,236**	5,627
Stock-based compensation costs	**1,712**	2,648
Reclassification to common shares on exercise of stock options	**(707)**	(39)
Balance, end of period	**9,241**	8,236

(f) Net earnings (loss) per share

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	**2008**	2007
Basic	**77,222**	68,070	**71,472**	66,461
Diluted	**78,157**	68,179	**72,330**	66,711

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

Note 8: Financial Instruments

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

(a) Risk management overview

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

(b) Fair value of financial assets and liabilities

The Company's financial instruments as at September 30, 2008 include cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, bank debt and risk management asset or liability.

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

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

(c) Market risk

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

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

Foreign currency exchange rate risk

Foreign currency exchange rate risk is the risk that future cash flows will fluctuate as a result of changes in foreign exchange rates. Although substantially all of the Company's petroleum and natural gas sales are denominated in Canadian dollars, the underlying market prices in Canada for petroleum and natural gas are affected by changes in the exchange rate between the Canadian and United States dollar. The exchange rate could affect the values of certain contracts, however, this indirect influence cannot be accurately quantified. The Company had no foreign exchange rate swap or related financial contracts in place as at September 30, 2008.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in the market interest rates. The Company is exposed to interest rate risk to the extent that bank debt is at a floating rate of interest. The Company had no interest rate swap or related financial contracts in place as at September 30, 2008. As at September 30, 2008, if interest rates had been 100 basis points lower with all other variables held constant, the net income for the nine months ended September 30, 2008 would have been $0.2 million (2007- $0.3 million) higher, due to lower interest expense.

Commodity price risk

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

As at September 30, 2008, the Company had the following financial derivative sales contracts which were recorded on the balance sheet at fair value with changes in fair value included in unrealized gain or loss on risk management activities in the statement of earnings.

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

The Company has both United States and Canadian dollar physical sales contracts. The Canadian dollar physical sales contracts were entered into and continue to be held for the purpose of delivery of non-financial items as executory contracts and have not been recorded at fair value. The changes in fair value of the United States dollar physical sales contracts are included in unrealized gain or loss on risk management activities in the statement of earnings. As at September 30, 2008, the Company had the following physical sales contracts.

Time Period	Commodity	Type of Contract	Quantity Contracted	Contract Price ($/unit)
April 2008 – October 2008	Natural Gas	Physical	4,000 GJ/d	$7.21 fixed
April 2008 – October 2008	Natural Gas	Physical	3,000 GJ/d	$7.61 fixed
April 2008 – October 2008	Natural Gas	Physical	2,000 mmbtu/d	U.S. $8.00 fixed
April 2008 – December 2008	Natural Gas	Physical	2,000 GJ/d	$7.82 fixed
April 2008 – March 2009	Natural Gas	Physical	2,000 GJ/d	$7.30 fixed
November 2008 – March 2009	Natural Gas	Physical	4,000 GJ/d	$7.46 fixed
November 2008 – March 2009	Natural Gas	Physical	2,000 GJ/d	$7.00 floor/$8.05 ceiling
November 2008 – March 2009	Natural Gas	Physical	2,000 mmbtu/d	U.S. $9.00 fixed
April 2009 – October 2009	Natural Gas	Physical	1,000 GJ/d	$7.08 fixed
April 2009 – October 2009	Natural Gas	Physical	2,000 GJ/d	$8.25 floor/$10.00 ceiling
April 2009 – October 2009	Natural Gas	Physical	1,000 mmbtu/d	U.S. $8.18 fixed
April 2009 – October 2009	Natural Gas	Physical	2,000 GJ/d	$8.59 fixed

For the nine months ended September 30, 2008, the Canadian dollar physical contracts resulted in settlement losses of $1.8 million (2007-gains of $7.1 million) that have been included in petroleum and natural gas sales. For the nine months ended September 30, 2008, the financial contracts and U.S. dollar based physical contracts resulted in losses of $0.1 million (2007-gains of $0.7 million) that have been included in the statement of earnings as a realized loss on risk management activities. As at September 30, 2008, if natural gas prices had been +/- $0.10 per mcf, with all other variables held constant, the net change in the unrealized gain or loss on risk management activities in the statement of earnings for the period would have been +/- $0.1 million (2007 – $nil). The sensitivity is higher in 2008 as compared to 2007 because of an increase in financial and U.S. dollar based physical contracts outstanding.

(d) Credit risk

Credit risk represents the financial loss to the Company if counterparties to a financial instrument fail to meet their contractual obligations and arise principally from the Company's receivables from joint venture partners, counterparties to forward sales contracts and product marketers. All of the Company's accounts receivable are with customers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. With respect to counterparties to financial instruments, the Company partially mitigates associated credit risk by limiting transactions to counterparties with investment grade credit ratings.

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

The carrying amount of cash and accounts receivable represent the maximum credit exposure. The Company does not have an allowance for doubtful accounts as at September 30, 2008 and was not required to write-off any receivables during the quarter.

As at September 30, 2008 the Company considers its receivables to be aged as follows.

	September 30, 2008
Current (less than 30 days)	**12,494**
Past due (31-90 days)	**2,291**
Past due (more than 90 days)	**1,679**
Total	**16,464**

(e) Liquidity risk

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

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

The following are the contractual maturities of financial liabilities as at September 30, 2008.

Financial liabilities	< 1 Year	1 – 2 Years	3 – 5 Years	Thereafter
Accounts payable and accrued liabilities	37,394	-	-	-
Long term debt – principal (Notes 5 and 9)	-	90,000	-	-
Total	**37,394**	**90,000**	**-**	**-**

NOTE 9: CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Company is committed to future minimum payments for natural gas transmission and processing and operating leases on compression equipment and office space. The Company's extendible term credit facility is available on a revolving basis until May 31, 2009, the term-out date. The term out date may be extended for a further 364 day period upon approval by the banks. Following the term-out date, the facilities would be available on a non-revolving basis for a one year term. Without assuming the renewal of the credit facilities, payments required under these commitments for each of the next five years are: 2008-$1.4 million; 2009-$5.7 million; 2010-$96.2 million; 2011-$5.6 million; 2012-$3.8 million.

CORPORATE INFORMATION

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. (2)
Partner
Burnet, Duckworth & Palmer LLP

Henry R. Lawrie (1)
Independent Businessman

Robert A. Lehodey, Q.C. (2)
Partner
Osler, Hoskin & Harcourt LLP

Andrew E. Osis (1)
Chief Financial Officer and Director
Multiplied Media Corporation

Lamont C. Tolley (1)
Independent Businessman

(1) Member of the Audit and Reserves Committee
(2) Member of the Corporate Governance and Compensation Committee

OFFICERS

David J. Reid
President and Chief Executive Officer

Tony Angelidis
Senior Vice President Exploration

Hugo H. Batteke
Vice President Operations

Rod A. Hume
Vice President Engineering

Michael S. Kaluza
Chief Operating Officer

Brian P. Kohlhammer
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

AUDITORS

KPMG LLP

BANKERS

National Bank of Canada
The Bank of Nova Scotia

LEGAL COUNSEL

Osler, Hoskin & Harcourt LLP

INDEPENDENT ENGINEERS

GLJ Petroleum Consultants Ltd.

TRANSFER AGENT

Olympia Trust Company

STOCK EXCHANGE LISTING

Toronto Stock Exchange – DEE