300, 500 – 4th Avenue S.W. Calgary, Alberta T2P 2V6 | T:(403)265-6171 | F:(403)265-6207 | E:info@delphienergy.ca | www.delphienergy.ca | TSX Symbol:DEE

First Quarter 2013 Highlights

- produced an average of 7,520 barrels of oil equivalent per day ("boe/d") despite production downtime at third-party facilities to the extent of approximately 700 boe/d;
- increased funds from operations by 49 percent for the quarter ended March 31, 2013, compared to the previous quarter ended December 31, 2012;
- increased its average corporate natural gas liquid ("NGL") and field condensate yield by 41 percent from Q1 2012 to 48 barrels per million cubic feet ("bbls/mmcf");
- acquired 30 gross (26.8 net) sections of Montney rights in East Bigstone for $13.7 million;
- successfully drilled two gross (two net) Montney wells as part of the Company's capital program; and
- completed, tied-in and brought on production two net Montney wells in East Bigstone

Financial Highlights ($ thousands except per unit amounts)

	Three Months Ended March 31		
	2013	2012	% Change
Petroleum and natural gas sales	**21,763**	24,143	(10)
Per boe	**32.15**	29.50	9
Funds from operations	**9,383**	10,974	(14)
Per boe	**13.87**	13.39	4
Per share – Basic	**0.06**	0.08	(25)
Per share – Diluted	**0.06**	0.08	(25)
Net earnings (loss)	**56**	(15,915)	-
Per boe	**0.08**	(19.46)	-
Per share – Basic	**0.00**	(0.12)	-
Per share – Diluted	**0.00**	(0.12)	-
Capital invested	**23,956**	53,283	(55)
Disposition of properties	**(3,172)**	(11,585)	(73)
Net capital invested	**20,784**	41,698	(50)
Acquisition of undeveloped properties	**13,664**	-	-
Total capital invested	**34,448**	41,698	(17)

	March 31, 2013	December 31, 2012	% Change
Debt plus working capital deficiency [1]	**119,337**	92,815	29
Total assets	**434,331**	401,649	8
Shares outstanding (000's)			
Basic	**153,100**	153,049	-
Diluted	**164,008**	162,104	1

[1] excludes the fair value of financial instruments.

Operational Highlights

	Three Months Ended March 31		
Production	**2013**	2012	% Change
Crude oil (bbls/d)	**318**	1,046	(70)
Field condensate (bbls/d)	**417**	118	253
Natural gas liquids (bbls/d)	**1,189**	1,244	(4)
Total crude oil and natural gas liquids	**1,924**	2,408	(20)
Natural gas (mcf/d)	**33,574**	39,510	(15)
Total (boe/d)	**7,520**	8,993	(16)

MESSAGE TO SHAREHOLDERS

The Company continues to focus on its liquids-rich Montney development at Bigstone where the Company holds over 100 sections of land and on new completion techniques which have significantly enhanced the economics of the project.

Production volumes for the three months ended March 31, 2013 averaged 7,520 boe/d, a 16 percent decrease over the comparative period in 2012, however, a four percent increase from the three months ended December 31, 2012. Production volumes in the first quarter of 2013 were impacted by third-party pipeline and plant shutdowns in the Tower Creek and Bigstone areas (to the extent of approximately 700 boe/d), natural declines and the disposition of predominantly producing oil properties (450 boe/d) in the third quarter of 2012, partially offset by new production from the first quarter 2013 Montney drilling program which came on-stream in the latter half of the quarter. Production volumes during the month of March 2013 averaged 8,650 boe/d.

The Company's production portfolio for the first quarter of 2013 was weighted four percent to crude oil, six percent to field condensate, 16 percent to natural gas liquids and 74 percent to natural gas. This compares to a production portfolio for the fourth quarter of 2012 weighted six percent to crude oil, two percent to field condensate, 15 percent to natural gas liquids and 77 percent to natural gas.

Delphi completed, tied-in and brought on production two net wells, one of which was drilled during the first quarter of 2013, the other drilled in the fourth quarter of 2012. Both wells were completed utilizing slickwater hybrid fracture stimulations, the first time this technique has been employed in the greater area. The wells are outperforming expectations with initial declines significantly less than the original Montney wells in the area. This production performance, coupled with plant NGL and field condensate yields averaging 114 bbls/mmcf sales over approximately two months of initial production (all C3+ of which 77 percent is field and plant recovered condensate), significantly improves operating netbacks and reduces the expected time to payout of the wells.

In March 2013, Delphi completed a strategic land acquisition adjacent to its existing Bigstone Montney acreage for $13.7 million. The land acquisition consists of 30 gross (26.8 net) sections of Montney rights directly offsetting Delphi's existing acreages and wells. As a result of this land acquisition, the Company's Bigstone Montney development increased by 54 locations to 140 net potential two-mile horizontal drilling locations. The acquisition was funded utilizing Delphi's syndicated credit facility.

Gross capital expenditures during the first quarter were $37.6 million, which primarily included the drill and completion of Montney wells, representing 56 percent of expenditures and the acquisition of undeveloped properties for additional Montney rights in the Bigstone area for $13.7 million, representing 36 percent of expenditures. Net capital expenditures for the first quarter were $34.4 million. At the end of the quarter, one Montney well drilled in the first quarter has yet to be completed.

Funds from operations in the first quarter of 2013 were $9.4 million or $0.06 per basic share and diluted share, compared to $11.0 million or $0.08 per basic share and diluted share in the comparative quarter in 2012. The decrease in funds from operations is primarily due to a decrease in natural gas and crude oil production, partially offset by an increase in field condensate production and improved natural gas and natural gas liquids prices. The liquids-rich nature of new production in the first quarter resulted in an improvement in both operating netbacks and cash netbacks relative to the fourth quarter of 2012. Operating netbacks improved to $17.79 per boe, an 18 percent increase and cash netbacks increased 47 percent to $13.87 per boe, resulting in a 49 percent improvement in cash flow to $9.4 million from $6.3 million in the fourth quarter of 2012.

As at March 31, 2013, the Company had net debt of $119.3 million, including the cash consideration for the strategic acquisition of additional Montney rights in Bigstone, on total credit facilities of $125.0 million. On an annualized first quarter funds from operations basis, Delphi's net debt to funds from operations ratio was 3.2:1. Net debt includes bank debt plus working capital deficiency excluding the fair value of financial instruments. The Company's syndicate of Lenders is currently undertaking their annual borrowing base review which is expected to be completed by the end of May.

Operations

Bigstone Montney

During the first quarter, Delphi successfully drilled, completed and brought on production two additional Montney horizontal wells and finished drilling operations on a third horizontal well at East Bigstone. The first two wells were stimulated utilizing slickwater hybrid frac techniques rather than the previously used smaller conventional gelled oil frac designs. The first well completed with the new frac technique and brought on production during the quarter was 15-10-60-23W5. Since this was the first well to be stimulated with the new slickwater hybrid technique as well as utilizing a new completion liner for execution of the new fracs, the Company drilled this well across one section and stimulated it with 20 stages to limit operational risk. After a successful completion at 15-10, the Company drilled its next well at 10-27-60-23W5 across 1.5 sections and installed a 30 stage liner. After a second successful completion, Delphi drilled the third well of the program at 16-23-60-23W5M across two full sections and will complete it with 30 slickwater hybrid fracs. The 16-23 well has been tied-in and completion operations are anticipated to commence in late May or early June.

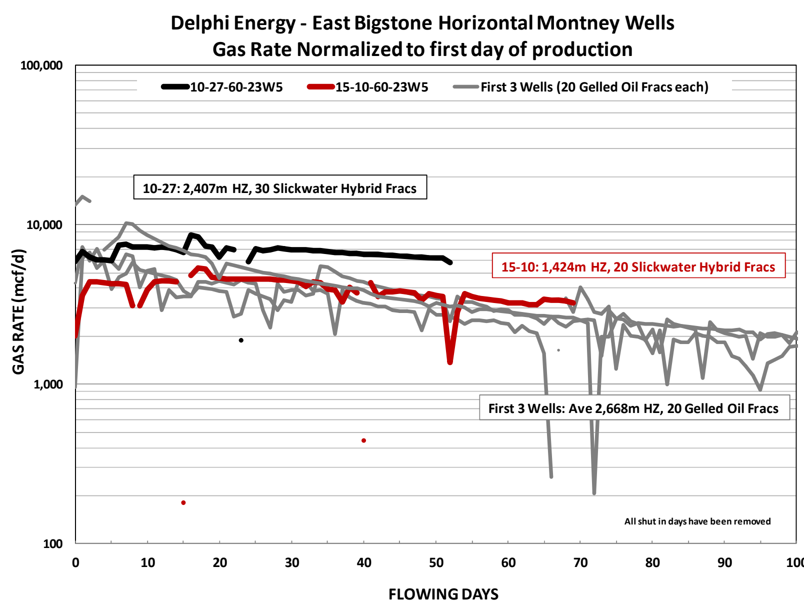
Delphi remains very encouraged by the results of its first two slickwater hybrid stimulated wells at East Bigstone. Declines are less and field condensate production remains strong and well above the rates seen on the Company's first three wells in East Bigstone that were completed with gelled oil fracs.

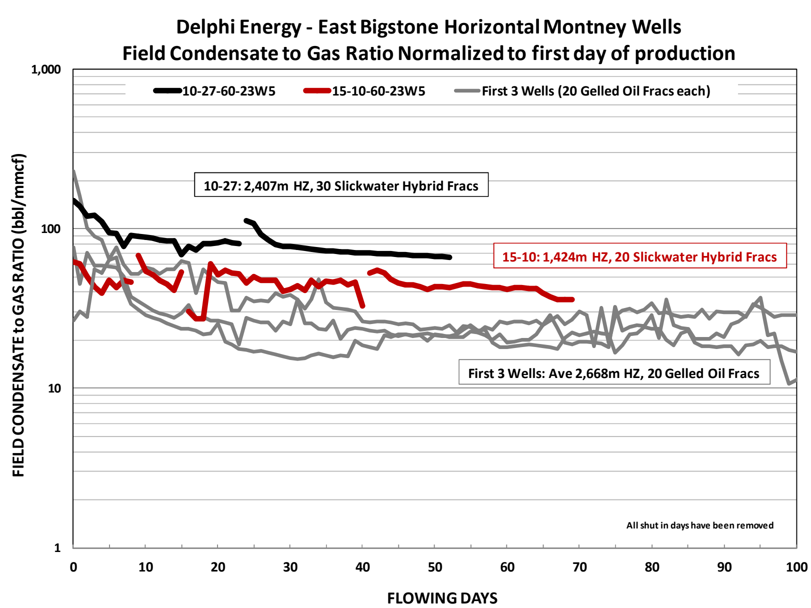
At the time of shut-in in late April for the scheduled SemCAMS Kaybob Amalgamated Plant turnaround (scheduled for April 28 to May 26), the current gas rate from 10-27 and 15-10 were 2.0 and 1.3 times better respectively than the average rate of the first three wells at the same time period.

Field condensate production rate for 10-27 and 15-10 were 6.1 and 2.1 times better respectively leading to a total production rate (boe) of 2.5 and 1.4 times better respectively than the average rate of the first three wells at the same time period.

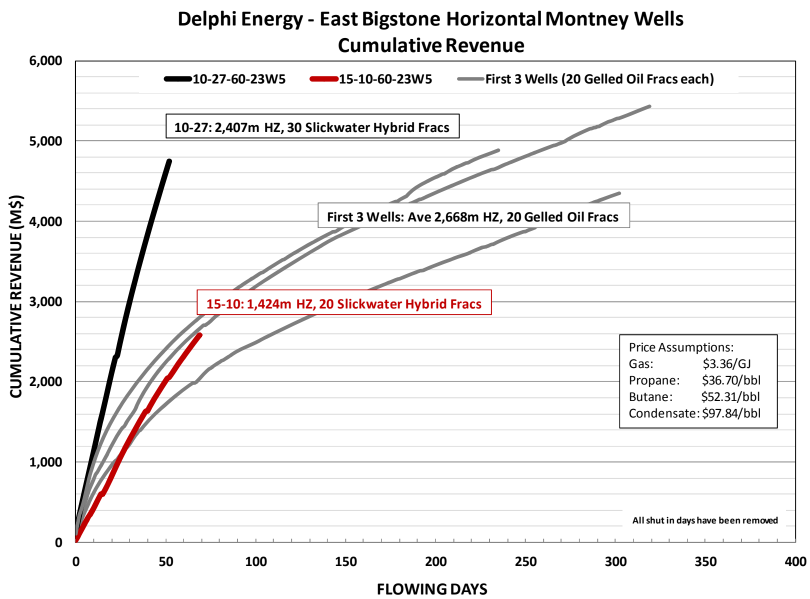
With the new completion techniques accomplishing the Company's goal of significantly reducing declines, the gap between the production rates of these two new wells compared to the first three wells continues to widen.

The adjacent charts show the performance of the two new wells compared to the first three wells the Company drilled. Production data has been normalized and days during which the wells were shut-in have been removed from the plots to appropriately compare gas flow rates and field produced condensate to gas ratio.





The 10-27 well that was brought on-stream in early March is expected to payout in November of this year. For illustrative purposes, a cumulative revenue plot is shown to compare the relative cash generating capability of the new wells to the first three wells.



The Company is preparing to commence completion operations, consisting of a 30 stage slickwater hybrid frac program, at its third horizontal Montney well of the winter program at 16-23. As part of the completion program, Delphi is also planning to record micro-seismic to assist in further understanding and optimizing its fracture stimulation program. The well was drilled to a final total depth of 5,753 metres with a horizontal lateral length of 2,809 metres making it the second longest horizontal well the Company has drilled. The well has been tied-in to the Company's Montney facility in order to bring the volumes to market as soon as completion operations conclude.

Outlook

Delphi's successful efforts at growing the Bigstone Montney land base from four sections to 108 sections in a relatively short period of time and refining the drilling and completion techniques used for our recent wells is delivering robust economic returns with accelerated payouts and is positioning the Company for long term self-funded growth.

The Company now has a current project inventory that will provide economic growth beyond a 10-year horizon. Delphi's detailed 5-year growth plan contemplates production growth to 20,000 boe/d by 2017, with targeted annual production per share growth of 25 percent and annual cash flow per share growth of 45 percent. Capital spending over the next five years to achieve that result under the plan is projected to be $560 million funded 90 percent from cash flow to drill 50 Montney horizontal wells and fund the expansion of Delphi's 100 percent owned facility.

The production performance of the two new wells along our plans for the second half of 2013 should provide a visible inflexion point in our operational and financial results as the more capital efficient Montney production becomes a greater portion of the Company's overall production base throughout the year.

The production profile of the two new wells, with lower initial declines and greater condensate yields resulting in materially greater present value of the reserves and significantly reduced payout times, is expected to have a favourable impact to the Company's cash generating capability and underlying asset value.

Delphi continues to explore its options to further accelerate its Montney drilling program, through additional non-core asset dispositions, potential joint venture relationships and alternate non-dilutive financing structures.

On behalf of the Board of Directors and all the employees of Delphi, we would like to thank our shareholders for their continued support.

On behalf of the Board,

David J. Reid
President and Chief Executive Officer
May 14, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Management's discussion and analysis ("MD&A") has been prepared by management and reviewed and approved by the Board of Directors of Delphi Energy Corp. ("Delphi" or "the Company"). The discussion and analysis is a review of the financial position and results of operations of the Company. Its focus is primarily a comparison of the financial performance for the three months ended March 31, 2013 and 2012 and should be read in conjunction with the unaudited condensed consolidated interim financial statements and accompanying notes for the three months ended March 31, 2013 and the audited consolidated financial statements of the Company for the years ended December 31, 2012 and 2011 and the related MD&A of financial results as disclosure which is unchanged from such MD&A may not be repeated herein. The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The reporting currency is the Canadian dollar. The discussion and analysis has been prepared as of May 14, 2013.

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

This MD&A contains the terms "funds from operations", "funds from operations per share", "net debt", "operating netbacks" "cash netbacks" and "netbacks" which are not recognized measures under IFRS. The Company uses these measures to help evaluate its performance. Management considers netbacks an important measure as it demonstrates its profitability relative to current commodity prices. Management uses funds from operations to analyze performance and considers it a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investments and to repay debt. Funds from operations is a non-IFRS measure and has been defined by the Company as cash flow from operating activities before accretion on long-term debt, decommissioning expenditures and changes in non-cash working capital. The Company also presents funds from operations per share whereby amounts per share are calculated using weighted average shares outstanding consistent with the calculation of earnings per share. Delphi's determination of funds from operations may not be comparable to that reported by other companies nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS. The Company has defined net debt as the sum of long term debt plus/minus working capital excluding the current portion of the fair value of financial instruments. Net debt is used by management to monitor remaining availability under its credit facilities. Operating netbacks have been defined as revenue less royalties, transportation and operating costs. Cash netbacks have been defined as operating netbacks less interest and general and administrative costs. Netbacks are generally discussed and presented on a per boe basis.

DELPHI'S OPERATIONS

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

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

FIRST QUARTER 2013 ACCOMPLISHMENTS

What were the highlights of Delphi's operational and financial results for the first quarter of 2013?

In the first quarter of 2013, the Company achieved the following:

- produced an average of 7,520 barrels of oil equivalent per day ("boe/d") with production downtime due to third-party facilities of approximately 700 boe/d;
- increased its average corporate natural gas liquid ("NGL") and field condensate yield by 41 percent from Q1 2012 to 48 barrels per million cubic feet ("bbls/mmcf");
- acquired 30 gross (26.8 net) sections of Montney rights in Bigstone for $13.7 million;
- successfully drilled 2 gross (2 net) Montney wells as part of the Company's capital program; and
- completed, tied-in and brought on production 2 net Montney wells in East Bigstone

Funds from operations in the first quarter of 2013 were $9.4 million or $0.06 per basic share and diluted share, compared to $11.0 million or $0.08 per basic share and diluted share in the comparative quarter in 2012. The decrease in funds from operations is primarily due to a decrease in natural gas and crude oil production, partially offset by an increase in field condensate production and improved natural gas and natural gas liquids prices. The liquids-rich nature of new production in the first quarter resulted in an improvement in both operating netbacks and cash netbacks relative to the fourth quarter of 2012. Operating netbacks improved to $17.79 per boe, an 18 percent increase and cash netbacks increased 47 percent to $13.87 per boe, resulting in a 49 percent improvement in cash flow to $9.4 million from $6.3 million in the fourth quarter of 2012.

In March 2013, Delphi completed a strategic land acquisition adjacent to its existing Bigstone Montney acreage for $13.7 million. The land acquisition consists of 30 gross (26.8 net) sections of Montney rights directly offsetting Delphi's existing acreages and wells. As a result of this land acquisition, the Company's Bigstone Montney development increased by 54 locations to 140 net potential two-mile horizontal drilling locations. The acquisition was funded utilizing Delphi's syndicated credit facility.

Delphi completed, tied-in and brought on production 2 net wells, one of which was drilled during the first quarter of 2013. Both wells were completed utilizing slickwater hybrid fracture stimulation, the first time this technique has been employed in the greater area. The wells are outperforming expectations with initial declines significantly less than the original Montney wells in the area. This production performance, coupled with plant NGL and field condensate yields averaging 114 bbls/mmcf sales over approximately two months of initial production (all C3+ of which 77% percent is field and plant recovered condensate), significantly improves operating netbacks and reduces the expected time to payout.

As at March 31, 2013, the Company had net debt of $119.3 million, including the cash consideration for the strategic acquisition of additional Montney rights in Bigstone, on total credit facilities of $125.0 million. On an annualized first quarter funds from operations basis, Delphi's net debt to funds from operations ratio was 3.2:1. Net debt includes bank debt plus working capital deficiency excluding the fair value of financial instruments.

2013 OUTLOOK AND FORWARD-LOOKING INFORMATION

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

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

Although the Company believes that the expectations reflected in such forward-looking statements and information are reasonable, it can give no assurance that such expectations will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oil and gas industry in general such as operational risks in development, exploration and production, delays or changes in plans with respect to exploration or development projects or capital expenditures, the uncertainty of estimates and projections relating to production rates, costs and expenses, commodity price and exchange rate fluctuations, marketing and transportation, environmental risks, competition, the ability to access sufficient capital from internal and external sources and changes in tax, royalty and environmental legislation. Additional information on these and other factors that could affect the Company's operations or financial results are included in reports on file with the applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com). The forward-looking statements and information contained in this MD&A are made as of May 14, 2013 for the purpose of providing the readers with the Company's expectations for the coming year. The forward-looking statements and information may not be appropriate for other purposes. Delphi undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Delphi's expectations for 2013 are based upon its projection of drilling plans, drilling success, expected completion of wells, expected tie-in of wells and production results and the estimated time to payout, estimated related revenues and associated costs of royalties, transportation expenses, operating costs, general and administrative expenses and interest costs. Commodity prices used in the determination of forecast revenues are based upon general economic conditions, commodity supply and demand forecasts and publicly available price forecasts. The Company continually monitors its forecast assumptions to ensure the stakeholders are informed of material variances from previously communicated expectations.

CAPITAL PROGRAM AND NET DEBT LEVELS

What are the Company's forecast capital expenditures and net debt levels for 2013?

The Company has increased its expectation of 2013 capital expenditures to be between $60.0 and $65.0 million funded from cash flow and bank indebtedness. Historically, Delphi executes a winter capital program in excess of first quarter cash flow followed by at least one quarter of minimal activity prior to returning to the field with an active summer/fall program.

Approximately $3.2 million in minor dispositions were completed during the first quarter of 2013, with additional non-core assets being evaluated for disposition in 2013.

The Company is targeting net debt at December 31, 2013 to be between $115.0 million and $120.0 million.

FIRST QUARTER 2013 OPERATIONAL AND FINANCIAL RESULTS

BUSINESS ENVIRONMENT

What external factors of the business environment did the Company have to contend with in the first quarter of 2013?

The table below outlines the changes in the various benchmark commodity prices and economic parameters which affect the prices received for the Company's production.

Benchmark Prices and Economic Parameters

	Three Months Ended March 31		
	2013	2012	% Change
Natural Gas			
NYMEX (US $/mmbtu)	**3.45**	2.45	41
AECO (Cdn $/mcf)	**3.20**	2.15	49
Crude Oil			
West Texas Intermediate (US $/bbl)	**94.34**	102.94	(8)
Edmonton Light (Cdn $/bbl)	**88.17**	92.13	(4)
Foreign Exchange			
Canadian to U.S. dollar	**0.99**	1.00	(1)
U.S. to Canadian dollar	**1.01**	1.00	1

Natural Gas

The level of natural gas storage in North America has decreased to levels lower than the same period one year ago due to an increase in demand for heating, primarily a result of cooler than normal temperatures at the end of 2012 and through the first quarter of 2013. This decrease in storage levels has caused an improvement in the pricing for natural gas, particularly in the month of March and continuing into April. AECO averaged $3.20 per mcf in the first quarter of 2013, 49 percent higher than the comparative period in 2012, with no change from the fourth quarter of 2012.

Crude Oil

WTI averaged U.S. $94.34 per barrel in the first quarter of 2013, a decrease of eight percent over the first quarter of 2012. For Canadian prices, the decrease was offset by a narrowing basis differential and the foreign exchange decline as Canadian prices were only four percent lower in the first quarter of 2013 over the comparative period in 2012. Edmonton light averaged $88.17 per barrel in the first quarter of 2013 versus $92.13 per barrel in 2012.

Canadian/United States Exchange Rate

The value of the Canadian dollar against its U.S. counterpart remains strong. As a producer of crude oil, a stronger Canadian dollar has had a negative effect on the price received for production. The average Cdn/US exchange rate for the three months ended March 31, 2013 was $0.99.

DRILLING OPERATIONS

How active was Delphi in its drilling program in the first quarter of 2013 and where was the drilling focused?

Delphi had another successful capital program in the first quarter of 2013, drilling 2 gross (2 net) wells with a success rate of 100 percent. The drilling was focused on the Bigstone Montney formation and utilized the Company's new slickwater hybrid completion technique which has lessened the initial high decline production rates of the wells compared to wells utilizing gelled oil completions.

In the first quarter of 2012, Delphi drilled 5 gross (4.4 net) wells which were primarily focused on the Bigstone Montney and Gething development.

For the remainder of the 2013 capital program, Delphi will continue to focus on exploiting its liquids-rich natural gas opportunities in the Montney formation at Bigstone in North West Alberta.

	Three Months Ended March 31, 2013	
	Gross	**Net**
Liquids rich natural gas (>40 bbls/mmcf liquids content)	**2.0**	**2.0**
Natural gas (>20 bbls/mmcf <40 bbls/mmcf liquids content)	**-**	**-**
Total	**2.0**	**2.0**
Success rate (%)	**100**	**100**

CAPITAL INVESTED

How much did the Company spend in the first quarter of 2013 and where were the capital expenditures incurred?

In the first quarter of 2013, total capital was $34.4 million which was partially funded by proceeds on dispositions of $3.2 million. The capital invested for the quarter was primarily directed toward the Montney development drilling of 2 horizontal wells at East Bigstone, the completion of an East Bigstone well which was drilled in the fourth quarter of 2012 (88 percent of capital invested) and the acquisition of 26.8 net sections of land. Facility expenditures for the first quarter of 2013 (nine percent of capital invested) were primarily directed toward the equipping of the 2 net wells brought on production.

The Company completed minor non-core property dispositions during the quarter primarily consisting of undeveloped land for net proceeds of $3.2 million.

During the first quarter of 2013, Delphi completed a $13.7 million strategic land acquisition in the heart of its Bigstone Montney acreage. The Company acquired 30 gross (26.8 net) sections of Montney rights directly offsetting Delphi existing acreage and producing wells. As a result of this acquisition, the Company's drilling locations in the Bigstone Montney play increased by 54 locations or 40 percent to 140 net potential two-mile horizontal drilling locations.

As of March 31, 2013, Delphi has a total of 64 sections (58.4 net) of undeveloped land on two separate blocks which are prospective for liquids-rich natural gas in the Montney formation, situated at its core area of Bigstone located within the Deep Basin of North West Alberta. In 2012, Delphi entered into a farm-in agreement to earn up to a 75 percent working interest in 35 sections of Montney and Nordegg petroleum and natural gas rights in the Bigstone area.

	Three Months Ended March 31		
	2013	2012	% Change
Land	**122**	43	184
Seismic	**1**	42	(98)
Drilling, completions and equipping	**21,030**	36,395	(42)
Facilities	**2,222**	16,100	(86)
Capitalized expenses	**578**	702	(18)
Other	**3**	1	200
Capital invested	**23,956**	53,283	(55)
Disposition of properties	**(3,172)**	(11,585)	(73)
Net capital invested	**20,784**	41,698	(50)
Acquisition of undeveloped properties	**13,664**	-	-
Total	**34,448**	41,698	(17)

PRODUCTION

What factors contributed to the production volumes?

Production volumes for the three months ended March 31, 2013 averaged 7,520 boe/d, a 16 percent decrease over the comparative period in 2012, however, a four percent increase from the three months ended December 31, 2012. Production volumes in the first quarter of 2013 were impacted by third-party pipeline and plant shutdowns in the Tower Creek and Bigstone areas (approximately 700 boe/d), natural declines and the disposition of predominantly producing oil properties in the third quarter of 2012 partially offset by new production from the first quarter 2013 Montney drilling program which came on stream in the latter half of the quarter.

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

The Company's production portfolio for the first quarter was weighted four percent to crude oil, six percent to field condensate, 16 percent to natural gas liquids and 74 percent to natural gas. This compares to a production portfolio for the fourth quarter of 2012 weighted six percent to crude oil, two percent to field condensate, 15 percent to natural gas liquids and 77 percent to natural gas.

Total liquids production for the three months ended March 31, 2013 increased 19 percent compared to the quarter ended December 31, 2012.

Field condensate as a percentage of total liquids increased to 22 percent for the three months ended March 31, 2013 compared to ten percent of total crude oil and natural gas liquids for the three months ended December 31, 2012.

In the first three months of 2013, the Company increased its corporate natural gas liquids yield, including field condensate, to 48 bbls/mmcf up from the 34 bbls/mmcf produced in the comparative period in 2012.

	Three Months Ended March 31		
	2013	2012	% Change
Crude oil (bbls/d)	**318**	1,046	(70)
Field condensate (bbls/d)	**417**	118	253
Natural gas liquids (bbls/d)	**1,189**	1,244	(4)
Total liquids	**1,924**	2,408	(20)
Natural gas (mcf/d)	**33,574**	39,510	(15)
Total (boe/d)	**7,520**	8,993	(16)

REALIZED SALES PRICES

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

For the three months ended March 31, 2013, Delphi realized an average sales price of $32.04 per boe, an eight percent increase when compared to the same period in 2012. The increase is due to an improvement in natural gas and natural gas liquids commodity prices in combination with a higher natural gas liquids yield, including field condensate.

For the three months ended March 31, 2013, Delphi's realized natural gas price increased by 33 percent in comparison to the same period in 2012. The increase is primarily due to a 49 percent increase in the average daily AECO index. This increase was partially offset by a loss on physical and financial commodity risk management contracts.

Realized crude oil and field condensate prices were five percent lower for the three months ended March 31, 2013 compared to the same period in 2012. The decrease in realized crude oil and field condensate price is primarily due to a decrease in Edmonton Light and a higher quality differential partially offset by a gain on financial commodity risk management contracts.

Realized natural gas liquids prices increased nine percent for the three months ended March 31, 2013 compared to the same period in 2012. The increase in the realized price for natural gas liquids is primarily due to an increase in commodity prices and production of pentanes and plant condensate from the new Montney wells.

	Three Months Ended March 31		
	2013	2012	% Change
AECO ($/mcf)	**3.20**	2.15	49
Heating content and marketing ($/mcf)	**0.34**	0.32	6
Gain (loss) on physical contracts ($/mcf)	**(0.05)**	0.07	(171)
Gain (loss) on financial contracts ($/mcf)	**(0.03)**	0.06	(150)
Realized natural gas price ($/mcf)	**3.46**	2.60	33
Edmonton Light ($/bbl)	**88.17**	92.13	(4)
Gain (loss) on financial contracts ($/bbl)	**0.03**	-	-
Quality differential ($/bbl)	**(0.50)**	0.01	(5,100)
Realized oil and field condensate price ($/bbl)	**87.70**	92.14	(5)
Realized natural gas liquids price ($/bbl)	**48.95**	44.84	9
Total ($/boe)	**32.04**	29.76	8

RISK MANAGEMENT ACTIVITIES

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

Delphi enters into both financial and physical commodity contracts as part of its risk management program to manage commodity price fluctuations designed to ensure sufficient cash is generated to fund its capital program particularly when commodity prices are extremely volatile. For natural gas production, Delphi has approximately 58 percent of its before-royalty natural gas production contracted at a predominately AECO based average floor price of $3.40 per mcf for the remainder of 2013.

With respect to financial contracts, which are derivative financial instruments, management has elected not to use hedge accounting and consequently records the fair value of its natural gas and crude oil financial contracts on the statement of financial position at each reporting period with the change in the fair value being classified as unrealized gains and losses in the statement of earnings. Natural gas physical commodity sale contracts based in U.S. dollars include an embedded derivative associated with the foreign exchange rate. Due to this derivative, the changes in the fair value of these contracts are also included in the statement of earnings.

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

Physical Contracts

Time Period	Type of Contract	Quantity Contracted	Price Floor ($/unit)	Price Ceiling ($/unit)
April 2012 – December 2013	Natural Gas – fixed	2,000 mmbtu/d	$3.21 U.S.	$3.21 U.S.
January 2013 – December 2013	Natural Gas – fixed	1,500 GJ/d	$3.41 Cdn	$3.41 Cdn
April 2013 – December 2013	Natural Gas – fixed	1,500 GJ/d	$3.42 Cdn	$3.42 Cdn
May 2013 – October 2013	Natural Gas – fixed	2,000 GJ/d	$3.45 Cdn	$3.45 Cdn

Financial Contracts

Time Period	Type of Contract	Quantity Contracted	Price Floor ($/unit)	Price Ceiling ($/unit)
April 2012 – December 2014	Natural Gas - fixed	6,000 GJ/d	$2.88 Cdn	$2.88 Cdn
April 2013 – April 2015	Natural Gas - fixed	3,000 GJ/d	$3.535 Cdn	$3.535 Cdn
April 2013 – December 2015	Natural Gas - fixed	3,000 GJ/d	$3.27 Cdn	$3.27 Cdn
April 2013 – December 2016	Natural Gas - fixed	3,000 GJ/d	$3.40 Cdn	$3.40 Cdn
March 2013 – December 2013	Crude Oil – fixed	150 bbls/d	$89.65 Cdn	$89.65 Cdn
January 2014 – December 2014 (1)	Crude Oil – call option	600 bbls/d	-	$90.00 U.S.

(1) The Company acquired a natural gas contract at $5.69 per gigajoule on 6,810 gigajoules per day for the period April 1, 2011 through December 31, 2011. The contract was paid for with the sale of a crude oil call on 600 barrels per day at a price of U.S. $90.00 WTI per barrel for the period January 1, 2012 through December 31, 2012. Delphi has deferred this crude oil call to January 1, 2014 through December 31, 2014.

The fair value of the financial contracts outstanding as at March 31, 2013 is estimated to be a loss of approximately $7.5 million. The fair values of the financial and US dollar physical 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 recorded an unrealized loss on its commodity risk management contracts of $3.5 million for the three months ended March 31, 2013. The unrealized loss recognized for the three months ended March 31, 2013 is the difference between the fair value of the commodity risk management contracts outstanding as at March 31, 2013 and that as of December 31, 2012.

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

REVENUE

How do revenues for the first three months of 2013 compare to 2012 and what factors contributed to the change?

For the three months ended March 31, 2013, Delphi generated revenue of $21.8 million, a ten percent decrease in comparison to the same period in 2012. The reduction in revenues from the first quarter of 2012 to that of 2013 is primarily due to a decrease in natural gas, crude oil and natural gas liquids production and a realized loss from physical commodity risk management contracts partially offset by higher realized natural gas prices and field condensate production.

For the first quarter in 2013, crude oil, field condensate and natural gas liquids contributed 51 percent of total revenues compared to 61 percent in the same 2012 period.

	Three Months Ended March 31		
	2013	2012	% Change
Natural gas	**10,689**	8,866	21
Natural gas physical contract gains (loss)	**(136)**	253	(154)
Crude oil	**2,452**	8,866	(72)
Field condensate	**3,347**	895	274
Natural gas liquids	**5,238**	5,077	3
Sulphur	**173**	186	(7)
Total	**21,763**	24,143	(10)

ROYALTIES

What were royalty costs in the first three months of 2013?

For the first quarter of 2013, royalties totaled $3.0 million compared to $4.0 million for the same period in 2012. Crown royalties decreased eight percent from the first quarter of 2012 to that of 2013. The decrease is primarily due to lower oil royalties as a result of the disposition of producing properties in the third quarter of 2012 partially offset by an increase in gas royalties due to an increase in commodity market prices. Gross overriding royalties decreased 43 percent from the first quarter of 2012 to that of 2013 primarily due to the disposition in the third quarter of 2012 which included wells encumbered by gross overriding royalties.

	Three Months Ended March 31		
	2013	2012	% Change
Crown royalties	**3,475**	3,771	(8)
Royalty credits	**(1,456)**	(1,471)	(1)
Crown royalties – net	**2,019**	2,300	(12)
Gross overriding royalties	**1,000**	1,740	(43)
Total	**3,019**	4,040	(25)
Per boe	**4.46**	4.94	(10)

What were the average royalty rates paid on production in the first three months of 2013?

The average royalty rates were lower than the comparative period. For the three months ended March 31, 2013, Crown royalty rates were four percent lower and gross overriding royalties were 37 percent lower compared to the same period in 2012. The decrease in the crown royalty rate is primarily a result of increased production from wells which take advantage of the Alberta royalty incentive programs. The gross overriding royalty rate decreased in the first quarter of 2013 when compared to the same period in 2012 primarily due to the disposition in the third quarter of 2012 which included wells with gross overriding royalty encumbrances.

	Three Months Ended March 31		
	2013	2012	% Change
Crown rate – net of royalty credits	**9.2%**	9.6%	(4)
Gross overriding rate	**4.6%**	7.3%	(37)
Average rate	**13.8%**	16.9%	(18)

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

OPERATING EXPENSES

How do operating expenses in the first quarter of 2013 compare to 2012?

Production costs for the three months ended March 31, 2013 decreased eight percent compared to the same period in 2012 as a result of a reduction in repairs and maintenance, chemical costs and equipment rentals. The reduction in these costs is due to efficiencies realized at Delphi's core properties and the purchase of compression equipment in the second and third quarters of 2012. Production costs in the first quarter of 2013 were also reduced by adjustments to prior year costs of approximately $0.5 million due to 13 month equalizations related to Bigstone Montney production.

Delphi earns processing income for third party production volumes going through facilities owned by the Company. The processing income represents a reduction of the Company's costs to operate these facilities and hence is deducted in determining operating expenses. Processing income indicates the Company has excess capacity at its facilities which it can access to handle growth in its production volumes. Processing income decreased 14 percent in the three months ended March 31, 2013 compared to the same period in 2012.

	Three Months Ended March 31		
	2013	2012	% Change
Production costs	**5,651**	6,163	(8)
Processing income	**(912)**	(1,059)	(14)
Total	**4,739**	5,104	(7)
Per boe	**7.00**	6.24	12

TRANSPORTATION EXPENSES

What factors contributed to the change in transportation costs in the first quarter of 2013?

For the three months ended March 31, 2013, transportation expenses decreased 13 percent compared to the same period in 2012. The reduction in transportation expenses is primarily due to reduced oil emulsion and clean oil trucking as a result of the disposition in the third quarter of 2012 which was predominantly producing oil properties and lower gas transportation fees. Transportation costs on a per boe basis for the three months ended March 31, 2013 increased six percent in comparison to the same period in 2012 due to a reduction in production volumes.

	Three Months Ended March 31		
	2013	2012	% Change
Total	**1,887**	2,158	(13)
Per boe	**2.79**	2.64	6

GENERAL AND ADMINISTRATIVE

How do general and administrative costs in the first quarter of 2013 compare to 2012?

General and administrative ("G&A") expenses (after recoveries and allocations) for the three months ended March 31, 2013 were $1.5 million compared to $1.2 million for the same period in 2012. Gross expenses in the first quarter of 2013 are four percent lower than the comparative period primarily due to lower personnel costs. Overhead recoveries decreased by 40 percent as a result of a reduced capital program in combination with a lower total number of wells drilled in the first quarter of 2013 compared to the same period in 2012. Salary allocations decreased by twelve percent as a result of lower personnel costs.

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

	Three Months Ended March 31		
	2013	2012	% Change
Gross expenses	**2,634**	2,733	(4)
Overhead recoveries	**(362)**	(602)	(40)
Salary allocations	**(781)**	(890)	(12)
Total	**1,491**	1,241	20
Per boe	**2.20**	1.52	45

SHARE-BASED COMPENSATION

What is share-based compensation expense?

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

The share-based compensation expense for the three months ended March 31, 2013, increased 52 percent over the comparative period, primarily due to the granting of 1.2 million RSU's subsequent to the first quarter of 2012. The increase in share-based compensation expense was partially offset by an increase in capitalized costs as a direct result of the granting of RSU's.

During the first quarter of 2013, Delphi granted 2.2 million stock options to employees and consultants with a weighted average fair value of $0.36 per option.

	Three Months Ended March 31		
	2013	2012	% Change
Share-based compensation	**1,074**	708	52
Capitalized costs	**(379)**	(336)	13
Net	**695**	372	87
Per boe	**1.03**	0.45	129

FINANCE COSTS

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

For the first quarter of 2013, interest charges increased 38 percent compared to the same period in 2012 as a result of a slightly higher average debt balance and higher interest rates charged on the Company's outstanding debt.

As at March 31, 2013, Delphi's bankers' acceptances have terms ranging from 90 to 180 days and a weighted average effective interest rate of 4.8 percent over the term.

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

The accretion of decommissioning obligations is an expense that relates to the passing of time until the Company estimates it will retire its assets and restore the asset locations to a condition which meets or exceeds environmental standards. Due to the long term nature of certain assets of the Company, this accretion expense is estimated to extend over a term of one to 64 years. The increase in accretion expense is due to a higher decommissioning obligation as at March 31, 2013 compared to the same period in 2012.

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

	Three Months Ended March 31		
	2013	2012	% Change
Interest	**1,163**	843	38
Accretion	**182**	107	70
Finance charge on finance lease obligation	**53**	27	96
Total	**1,398**	977	43
Interest per boe	**1.72**	1.03	67
Accretion per boe	**0.27**	0.13	107
Finance charge on finance lease obligation per boe	**0.08**	0.03	167

What has the Company done to protect itself against an increase in interest rates?

Delphi has two interest rate swap transactions on borrowings through bankers' acceptances. The details are as follows:

Time Period	**Amount**	**Fixed Interest Rate**
June 2012 – May 2014	20,000	1.09
March 2013 – February 2015	20,000	1.25

DECOMMISSIONING EXPENSE

What does the decommissioning expense relate to?

For the three months ended March 31, 2013, the Company recognized a $0.3 million decommissioning expense. The decommissioning expense is the difference between decommissioning expenditures incurred in the period and the carrying amount of the Company's decommissioning obligation for those specific assets. The expense recorded in the 2013 quarter primarily relates to difficulties experienced during the abandonment of a well in British Columbia.

DEPLETION, DEPRECIATION AND IMPAIRMENT

Has the Company's depletion and depreciation rate and expense changed in the first quarter of 2013 compared to the first quarter of 2012?

Depletion and depreciation before impairment loss for the three months ended March 31, 2013 decreased 40 percent over the comparative period due to a 28 percent decrease in the depletion rate. The decrease in the rate is a result of lower production volumes and a higher reserve base, partially offset by an increase in the cost base.

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

	Three Months Ended March 31		
	2013	2012	% Change
Depletion and depreciation	**7,750**	12,953	(40)
Impairment loss	**-**	21,000	-
Total	**7,750**	33,953	(77)
Depletion and depreciation per boe	**11.45**	15.83	(28)
Impairment loss per boe	**-**	25.66	-

INCOME TAXES

What was the affect on deferred income taxes as a result of the earnings for the period?

Delphi recorded a deferred income tax expense of $0.1 for the three months ended March 31, 2013 compared to a deferred income tax recovery of $4.3 million in the comparative period in 2012. Deferred taxes arise from differences between the accounting and tax bases of the Company's assets and liabilities. Delphi does not anticipate it will be cash taxable before 2016.

	Three Months Ended March 31		
	2013	2012	% Change
Deferred expense (recovery)	**140**	**(4,272)**	-
Per boe	**0.21**	**(5.22)**	-

FUNDS FROM OPERATIONS

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

Funds from operations is a non-IFRS measure that has been defined by the Company and is used as a measure to analyze performance. Delphi considers funds from operations a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investments and to repay debt. Funds from operations is calculated as cash flow from operating activities before accretion on long-term debt, decommissioning expenditures and changes in non-cash working capital.

How do cash flow from operating activities and funds from operations in the first three months of 2013 compare to 2012?

Delphi's cash flow from operating activities of $10.5 million for the three months ended March 31, 2013 increased 27 percent from the $8.3 million generated in the same period in 2012. Delphi generated funds from operations of $9.4 million for the three months ended March 31, 2013, down 14 percent from the $11.0 million for the same period in 2012.

The increase in cash flow from operating activities for the first quarter of 2013 compared to the same period in 2012 is primarily due to the change in non-cash working capital, a decrease in royalties, operating and transportation expenses partially offset by a reduction in petroleum and natural gas sales, a realized loss on commodity risk management contracts, higher general and administrative costs and finance costs.

The 14 percent decrease in funds from operations from the first quarter of 2012 to that of 2013 is primarily due to a decrease in petroleum and natural gas sales, a realized loss on financial commodity risk management contracts, higher general and administrative and finance costs partially offset by a decrease in royalties and operating and transportation expenses.

	Three Months Ended March 31		
	2013	2012	% Change
Cash flow from operating activities	**10,472**	8,262	27
Accretion of long-term debt	**36**	206	(83)
Decommissioning expenditures	**793**	413	92
Change in non-cash working capital	**(1,918)**	2,093	(192)
Funds from operations	**9,383**	10,974	(14)

NET EARNINGS

What factors contributed to the earnings in 2013?

For the three months ended March 31, 2013, Delphi recorded net earnings of $56 thousand ($ 0.00 per diluted share), up from the $15.9 million net loss ($0.12 per basic share) recorded in the same period in 2012. The increase in earnings is primarily due to higher gains on dispositions and a decrease in depletion, depreciation and impairment charges partially offset by an unrealized loss on financial commodity risk management contracts and a deferred income tax expense.

NETBACK ANALYSIS

How do Delphi's netbacks achieved in the first quarter of 2013 compare to 2012?

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

For the three months ended March 31, 2013, Delphi's cash netback per boe increased four percent compared to the same period in 2012. The increase is primarily due to improved realized sales prices in combination with a higher natural gas liquids yield.

	Three Months Ended March 31		
	2013	2012	% Change
Barrels of oil equivalent ($/boe)			
Realized sales price	**32.04**	29.76	8
Royalties	**4.46**	4.94	(10)
Operating expenses	**7.00**	6.24	12
Transportation	**2.79**	2.64	6
Operating netback	**17.79**	15.94	12
General and administrative expenses	**2.20**	1.52	45
Interest	**1.72**	1.03	67
Cash netback	**13.87**	13.39	4
Unrealized loss (gain) on commodity risk contracts	**5.13**	(1.24)	-
Stock-based compensation expense	**1.03**	0.45	129
Loss (gain) on dispositions	**(4.75)**	(2.79)	70
Loss on decommissioning	**0.37**	-	-
Depletion, depreciation and impairment	**11.45**	41.49	(72)
Accretion and finance lease charges	**0.35**	0.16	119
Deferred income taxes (recovery)	**0.21**	(5.22)	-
Net earnings (loss)	**0.08**	(19.46)	-

SELECTED INFORMATION

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

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

In the first quarter of 2011, production decreased to 8,259 boe/d as a result of natural declines in production and an outage at a non-operated processing facility resulting in the shut-in of 550 boe/d for 22 days in the quarter. Record production in the fourth quarter of 2011 of 9,337 boe/d was a result of another successful drilling program.

In 2012, due to the continued deterioration of the natural gas price environment, the Company completed a strategic disposition of its non-operated light oil interests in the Hythe area and minor offsetting lands in order to develop its assets in the Bigstone Montney formation. In the third quarter of 2012, Delphi completed another strategic disposition of its working interests of Cardium oil assets in order to temporarily reduce debt and to fund the Company's ongoing capital program. Despite the dispositions the Company completed in 2012, production volumes only decreased seven percent in the twelve months of 2012 when compared to the same period in 2011 as a result of its successful 2012 drilling program.

In the first quarter of 2013, Delphi continued to focus on exploiting its liquids-rich resource at Bigstone, Alberta. The Company completed, tied-in and placed on production two net wells which utilized the Company's new slickwater hybrid completion technique which has significantly decreased initial declines and improved productivity of free reservoir condensate. Production in the first quarter of 2013 increased four percent in comparison to the fourth quarter of 2012 despite third-party pipeline and plant shutdowns in the Bigstone and Tower Creek areas during the first quarter of 2013, impacting approximately 700 boe/d. In comparison to the fourth quarter of 2012, total crude oil and natural gas liquids daily production increased 19 percent, which includes a 152 percent increase in daily production of field condensate.

Natural gas prices over the past two years have generally reflected the cyclical nature of demand. Higher prices are usually realized in the winter months, reflecting demand for heating with lower prices through the summer months as production is placed in storage for the upcoming heating season demand. In 2012, due to higher than normal average winter temperatures in North America and high inventory levels of natural gas, Canadian natural gas prices decreased to ten year lows. The average spot price for AECO in 2011 was $3.63 per mcf and in 2012, the average spot price for AECO was $2.39 per mcf.   In the first quarter of 2013, particularly in March 2013, prices for natural gas have experienced some improvements due to cooler than average temperatures experienced in North America. The average spot price for AECO in the first quarter of 2013 was $3.20 per mcf.

Net earnings of the Company are primarily driven by the difference between the cash netback realized per boe of production versus the Company's depletion, depreciation and impairment rate, unrealized losses on commodity risk management contracts, gains on dispositions and deferred income taxes. Overall finding and development ("F&D") costs were $12.37 per proved plus probable boe in 2011 and $18.03 per proved plus probable boe in 2012.

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

	Mar. 31 2013	Dec. 31 2012	Sept. 30 2012	June 30 2012	Mar. 31 2012	Dec. 31 2011	Sept. 30 2011	Jun. 30 2011
Production								
Oil and field condensate (bbls/d)	**735**	565	830	1,083	1,164	1,436	1,395	1,346
Natural gas liquids (bbls/d)	**1,189**	1,055	1,069	1,040	1,244	1,405	1,074	1,317
Natural gas (mcf/d)	**33,574**	33,654	38,148	39,080	39,510	38,973	38,989	37,460
Barrels of oil equivalent (boe/d)	**7,520**	7,229	8,257	8,636	8,993	9,337	8,967	8,906
Financial								
Petroleum and natural gas revenue	**21,763**	18,858	20,878	21,875	24,143	33,115	32,194	32,678
Funds from operations	**9,383**	6,269	7,881	7,181	10,974	17,081	17,213	17,517
Per share – basic	**0.06**	0.04	0.06	0.05	0.08	0.14	0.15	0.15
Per share – diluted	**0.06**	0.04	0.06	0.05	0.08	0.14	0.14	0.15
Net earnings (loss)	**56**	(29,394)	(9,190)	(3,531)	(15,915)	825	4,058	5,757
Per share – basic	**0.00**	(0.21)	(0.07)	(0.03)	(0.12)	0.01	0.03	0.05
Per share – diluted	**0.00**	(0.21)	(0.07)	(0.03)	(0.12)	0.01	0.03	0.05

LIQUIDITY AND CAPITAL RESOURCES

Share Capital

How many common shares and stock options are currently outstanding?

As at May 13, 2013, the Company had 153.1 million common shares outstanding (December 31, 2012 – 153.0 million) and 13.6 million share options outstanding (December 31, 2012 – 9.1 million). The share options have an average exercise price of $1.58 per option (December 31, 2012 – $1.81 per option).

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

The common shares of Delphi trade on the TSX under the symbol DEE. The following table summarizes outstanding share data for the three months ended March 31, 2013:

	Three Months Ended March 31
Weighted Average Common Shares	
Basic	153,070
Diluted	153,386
Trading Statistics [1]	
High	1.21
Low	0.99
Average daily volume	249,605

[1] Trading statistics based on closing price

Sources and Uses of Funds

	Three Months Ended March 31, 2013
Sources:	
Cash and cash equivalents	
Funds from operations	**9,383**
Disposition of petroleum and natural gas properties	**3,172**
Exercise of stock options	**33**
Change in non-cash working capital	**13,060**
	25,648
Uses:	
Capital expenditures	**23,956**
Acquisition of petroleum and natural gas properties	**13,664**
Accretion of long term debt	**36**
Finance lease obligation	**1,641**
Expenditures on decommissioning	**793**
	40,090
Change in long term debt	**14,442**

Bank Debt plus Working Capital Deficiency (Net Debt)

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

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

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

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

Delphi's results are affected by external market and risk factors, such as fluctuations in the prices of crude oil and natural gas, movements in foreign currency exchange rates and inflationary pressures on service costs. Market conditions have resulted in Delphi experiencing primarily downward trends in crude oil pricing for 2012 compared to 2011, and a more significant downward trend in natural gas pricing, although natural gas prices have recovered slightly since the third quarter of 2012. As an added layer of cash flow protection, Delphi has fixed financial contracts that provide for approximately 58 percent of its before-royalty natural gas production at predominantly an AECO based average floor price of $3.40 per mcf for the remainder of 2013.

How much bank debt was outstanding on March 31, 2013?

At March 31, 2013, the Company had $78.8 million outstanding in the form of bankers' acceptances, $20.0 million drawn under Canadian-based prime loans and a working capital deficiency of $20.5 million for total net debt of $119.3 million. Net debt is a non-IFRS term. Delphi's calculation of net debt includes long-term debt and the net working capital deficiency (excess) before the current fair value of financial instruments.

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

The $125.0 million extendible revolving term credit facility with a syndicate of Canadian chartered banks is subject to the banks' semi-annual valuation of the Company's crude oil and natural gas properties. The next semi-annual review of the Company's extendible revolving term credit facility will be conducted during the second quarter of 2013.

The facility is a 364 day committed facility available on a revolving basis until May 27, 2013 at which time it may be extended at the lenders' option. If the revolving period is not extended, the undrawn portion of the facility will be cancelled and the amount outstanding will convert to a 365 day non-revolving term facility. The amounts outstanding under the non-revolving facility are required to be repaid at the end of the non-revolving term being May 28, 2014. The non-extension provisions are applicable to the lenders on an individual basis.

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

Under the terms of the credit facility, the Company covenants that it will maintain a working capital ratio of at least one to one. For the purpose of this ratio, the undrawn portion of the credit facility is added to current assets in the working capital calculation. The credit facility is secured by a $200.0 million demand floating charge debenture and a general security agreement over all assets of the Company. Delphi is in compliance with the covenants of its credit facility as at March 31, 2013.

Contractual Obligations

Does the Company have any contractual obligations as of March 31, 2013 that will require funding in future years?

The Company is committed to future minimum payments for natural gas transmission and processing and operating leases on compression equipment. The Company also has a lease for office space in Calgary, Alberta. As noted above, bank debt is based on a revolving term which is reviewed annually and converts to a 365 day non-revolving term facility if not renewed.

The future minimum commitments over the next five years are as follows:

	< 1 Year	2014	2015	2016	2017
Gathering, processing and transmission	3,362	4,303	3,760	100	-
Office and equipment lease	1,374	566	566	579	417
Outstanding cheques	3,847	-	-	-	-
Accounts payable and accrued liabilities	38,409	-	-	-	-
Decommissioning obligations	521	-	-	-	-
Fair value of financial instruments	3,040	4,435	-	-	-
Bank debt	-	98,824	-	-	-
Total	50,553	108,128	4,326	679	417

As a result of the flow-through shares issued on December 23, 2012, Delphi is committed to incur approximately $8.0 million in qualifying Canadian exploration expenses on or before December 31, 2013.

Pursuant to a farm-in agreement, Delphi must drill a total of 5 gross wells in 2013 and 2014 of which it has a commitment to pay the farmor's working interest, representing 2.3 net wells. As a result of the Company's winter drilling program, the Company drilled 2 gross committed wells of which the farmor's working interest after payout represents 0.38 net wells. The farm-in agreement will allow Delphi to earn working interests in Montney and Nordegg petroleum and natural gas rights ("PNG rights") in its core area of Bigstone, Alberta. Under this farm-in agreement, Delphi may earn a minimum of a 33 percent working interest in 23.5 sections of PNG rights at a remaining estimated cost of $17.7 million or up to a 75 percent working interest in 35 sections of PNG rights at a remaining estimated cost of $30.2 million. In the event Delphi does not complete their drilling commitments associated with this farm-in agreement, the Company is exposed to a maximum non-performance fee of $4.0 million.

GUARANTEES AND OFF-BALANCE SHEET ARRANGEMENTS

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

Delphi has not entered into any guarantees or off-balance sheet arrangements. Certain lease agreements entered into in the normal course of operations could be considered off-balance sheet arrangements; however, all leases which are considered operating leases are charged to operating expenses or general and administrative expenses on a monthly basis according to the lease. In March 2012, the Company entered into a lease agreement that was accounted for as a finance lease. As a result of this arrangement, an asset and obligation were recorded on the Company's consolidated statement of financial position as at December 31, 2012. During the first quarter of 2013, the Company fulfilled its obligation to purchase the leased equipment and as a result has derecognized the associated finance lease obligation.

CRITICAL ACCOUNTING ESTIMATES

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

The reader is advised that the critical accounting estimates, judgments, policies and practices as described in the Company's Management's Discussion and Analysis for the year ended December 31, 2012 continue to be critical in determining Delphi's financial results.

The condensed consolidated interim financial statements have been prepared in conformity with IAS 34, Interim Financial Reporting, which requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, shareholders' equity, revenue and expenses. Actual results may differ from these estimates.

NEW ACCOUNTING STANDARDS

Are there any new accounting standards which the Company has had to adopt and comply with?

The following amended and new standards have been adopted with an effective date of January 1, 2013:

- IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. This standard replaces SIC - 12, "Consolidation – Special Purpose Entities." The adoption of this standard did not have an impact on the Company's consolidated financial statements.

- IFRS 11, "Joint Arrangements" ("IFRS 11"), requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation, each having its own accounting model. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. The standard provides for a more substance based reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The new standard replaces IAS 31, "Interests in Joint Ventures" and SIC – 13, "Jointly Controlled Entities – Non-monetary Contributions by Venturers" and establishes principles for accounting for all joint arrangements. The adoption of this standard did not have an impact on the Company's consolidated financial statements.

- IFRS 12, "Disclosure of Interests in Other Entities", which outlines the required disclosures for interests in subsidiaries and joint arrangements. The new disclosures require information that will assist financial statement users to evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries and joint arrangements. The adoption of this standard did not have an impact on the Company's consolidated financial statements.

- IFRS 13, "Fair Value Measurement" which defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. The adoption of this standard did not have an impact on the Company's consolidated financial statements other than additional required disclosures – See note 4 of the Company's condensed consolidated interim financial statements for the three months ended March 31, 2013.

- IAS 28, "Investments in Associates and Joint Ventures" has been amended to conform to the changes made in IFRS 10 and IFRS 11. The amendment of this standard did not have an impact on the Company's consolidated financial statements.

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

During the three months ended March 31, 2013, there were no revised standards or amendments to IFRS issued. Refer to the Company's December 31, 2012 MD&A for a summary of future accounting pronouncements for which the Company is continuing to evaluate the impact of adopting those standards.

CORPORATE GOVERNANCE

Overview

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

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management, including its President and Chief Executive Officer and Senior Vice President, Finance and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Company's President and Chief Executive Officer and Senior Vice President, Finance and Chief Financial Officer have concluded that the Company's internal controls over financial reporting and disclosure controls and procedures are effective and provide a reasonable level of assurance that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified. Management's assessment of the Company's internal controls over financial reporting was based on the framework in Internal Control over Financial Reporting – Guidance for Smaller Public Companies issued by the Committee of Sponsoring Organizations.

The Company notes that while it believes the disclosure controls and procedures and internal controls over financial reporting provide a reasonable level of assurance that they are effective, it does not expect that the disclosure controls and procedures and internal controls will prevent all errors and fraud. A control system is designed to provide reasonable, not absolute, assurance that the objectives of the control system are met. There were no changes made to the disclosure controls and procedures or internal controls over financial reporting during the first quarter of 2013.

ADDITIONAL INFORMATION

Where is additional information about Delphi available?

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

DELPHI ENERGY CORP.

Condensed Consolidated Statements of Financial Position

(thousands of dollars) (unaudited)	**March 31, 2013**	December 31, 2012
Assets		
Current assets		
Accounts receivable	**19,743**	16,250
Prepaid expenses and deposits	**2,521**	2,640
Fair value of financial instruments (Note 5)	**-**	285
	22,264	19,175
Exploration and evaluation (Note 6)	**22,103**	12,406
Property, plant and equipment (Note 7)	**389,964**	370,068
Total assets	**434,331**	401,649
Liabilities		
Current liabilities		
Outstanding cheques	**3,847**	883
Accounts payable and accrued liabilities	**38,409**	24,396
Decommissioning obligations	**521**	420
Finance lease obligation (Note 8)	**-**	1,588
Fair value of financial instruments (Note 5)	**3,040**	306
	45,817	27,593
Other liability (Note 10)	**2,651**	2,651
Long term debt (Note 9)	**98,824**	84,418
Fair value of financial instruments (Note 5)	**4,435**	3,981
Decommissioning obligations	**34,130**	35,293
Deferred income taxes	**6,266**	6,126
	192,123	160,062
Shareholders' equity		
Share capital (Note 10)	**304,866**	304,816
Contributed surplus	**15,123**	14,608
Deficit	**(77,781)**	(77,837)
Total shareholders' equity	**242,208**	241,587
Total liabilities and shareholders' equity	**434,331**	401,649

Commitments (Note 12)

See accompanying notes to the condensed consolidated interim financial statements.

DELPHI ENERGY CORP.

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

(thousands of dollars, except per share amounts) (unaudited)	**2013**	2012
Revenue		
Crude oil and natural gas sales	**21,763**	24,143
Royalties	**(3,019)**	(4,040)
	18,744	20,103
Realized gain (loss) on financial instruments	**(81)**	217
Unrealized gain (loss) on financial instruments	**(3,473)**	1,015
	15,190	21,335
Expenses		
Operating	**4,739**	5,104
Transportation	**1,887**	2,158
General and administrative	**1,491**	1,241
Share-based compensation	**695**	372
Loss (gain) on property dispositions (note 7)	**(3,217)**	(2,283)
Decommissioning expense	**251**	
Depletion, depreciation and impairment (Note 7)	**7,750**	33,953
	13,596	40,545
Finance costs	**1,398**	977
Earnings (loss) before income taxes	**196**	(20,187)
Income taxes		
Deferred income taxes (recovery)	**140**	(4,272)
Net earnings (loss) and comprehensive earnings (loss)	**56**	(15,915)
Net earnings (loss) per share (Note 10)		
Basic and diluted	**-**	(0.12)

See accompanying notes to the condensed consolidated interim financial statements.

DELPHI ENERGY CORP.

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

(thousands of dollars) (unaudited)	**2013**	2012
Share capital		
Common shares		
Balance, beginning of period	**304,816**	275,682
Issued on exercise of options	**33**	20
Transferred on exercise of options	**17**	10
Balance, end of period	**304,866**	275,712
Contributed surplus		
Balance, beginning of period	**14,608**	12,500
Share-based compensation	**532**	689
Transferred on exercise of options	**(17)**	(10)
Balance, end of period	**15,123**	13,179
Deficit		
Balance, beginning of period	**(77,837)**	(19,807)
Net earnings (loss)	**56**	(15,915)
Balance, end of period	**(77,781)**	(35,722)
Total shareholders' equity	**242,208**	253,169

See accompanying notes to the condensed consolidated interim financial statements.

DELPHI ENERGY CORP.

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

(thousands of dollars) (unaudited)	**2013**	2012
Cash flow from (used in) operating activities		
Net earnings (loss)	**56**	(15,915)
Adjusted for:		
Depletion and depreciation	**7,750**	33,953
Accretion and finance lease charges	**235**	134
Share-based compensation	**695**	372
Decommissioning expense	**251**	-
Loss (gain) on property dispositions	**(3,217)**	(2,283)
Unrealized loss (gain) on financial instruments	**3,473**	(1,015)
Deferred income taxes (recovery)	**140**	(4,272)
Accretion of long term debt	**(36)**	(206)
Decommissioning expenditures	**(793)**	(413)
Change in non-cash working capital (Note 11)	**1,918**	(2,093)
	10,472	8,262
Cash flow from (used in) financing activities		
Exercise of options	**33**	20
Finance lease obligation	**(1,641)**	(67)
Increase (decrease) in long term debt	**14,442**	15,284
Change in non-cash working capital (Note 11)	**(212)**	-
	12,622	15,237
Cash flow available for investing activities	**23,094**	23,499
Cash flow from (used in) investing activities		
Additions to exploration and evaluation	**(159)**	(1,336)
Acquisitions of exploration and evaluation	**(12,135)**	-
Additions to property, plant and equipment	**(23,797)**	(51,947)
Disposition of petroleum and natural gas properties	**3,172**	11,585
Acquisition of petroleum and natural gas properties	**(1,529)**	-
Change in non-cash working capital (Note 11)	**11,354**	16,651
	(23,094)	(25,047)
Increase (decrease) in cash and cash equivalents	**-**	(1,548)
Cash and cash equivalents, beginning of period	**-**	4,017
Cash and cash equivalents, end of period	**-**	2,469
Cash interest paid	**1,764**	1,073

See accompanying notes to the condensed consolidated interim financial statements.

(A) STRUCTURE OF DELPHI

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

The condensed consolidated interim financial statements as at and for the three months ended March 31, 2013 comprise the accounts of the Company, its wholly-owned subsidiary and a partnership.

(B) BASIS OF PRESENTATION

(a) Statement of compliance

These condensed consolidated interim financial statements are unaudited and prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board, and do not include all of the information and disclosures normally provided in annual financial statements and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2012.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on May 14, 2013.

(b) Basis of measurement and functional currency

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

(c) Use of estimates and judgments

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying Delphi's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2012.

(C) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended December 31, 2012 with the exception of the following amended and new standards which have been adopted with an effective date of January 1, 2013:

- IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under previous IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. This standard replaces SIC - 12, "Consolidation – Special Purpose Entities." The adoption of this standard did not have an impact on the Company's consolidated financial statements.

- IFRS 11, "Joint Arrangements" ("IFRS 11"), requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation, each having its own accounting model. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. The standard provides for a more substance based reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The new standard replaces IAS 31, "Interests in Joint Ventures" and SIC – 13, "Jointly Controlled Entities – Non-monetary Contributions by Venturers" and establishes principles for accounting for all joint arrangements. The adoption of this standard did not have an impact on the Company's consolidated financial statements.

- IFRS 12, "Disclosure of Interests in Other Entities", which outlines the required disclosures for interests in subsidiaries and joint arrangements. The new disclosures require information that will assist financial statement users to evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries and joint arrangements. The adoption of this standard did not have an impact on the Company's consolidated financial statements.

- IFRS 13, "Fair Value Measurement" which defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. The adoption of this standard did not have an impact on the Company's consolidated financial statements other than additional required disclosures – See note 4.

- IAS 28, "Investments in Associates and Joint Ventures" has been amended to conform to the changes made in IFRS 10 and IFRS 11. The amendment of this standard did not have an impact on the Company's consolidated financial statements.

(D) DETERMINATION OF FAIR VALUES

The fair value of forward contracts and swaps is determined by discounting the difference between the contracted prices and published forward price curves as at the reporting date, using the remaining contracted crude oil and natural gas volumes and a risk-free interest rate (based on published government rates). The fair value of options and costless collars is based on option models that use published information with respect to volatility, prices and interest rates. The Company's derivative financial contracts are transacted in active markets. Changes in fair value of the derivatives are recognized in the consolidated statement of earnings. The actual gains and losses realized on eventual cash settlement can vary due to subsequent fluctuations in commodity prices.

The table below analyses recurring assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

	Level 1	Level 2	Level 3	Total
Commodity risk management contracts - liability	-	(7,484)	-	(7,484)
Interest risk management contracts – asset	-	9	-	9
Total financial instruments	-	(7,475)	-	(7,475)
Restricted share units - liability	(839)	-	-	(839)
Total restricted units	(839)	-	-	(839)

(E) FINANCIAL RISK MANAGEMENT

The Company has exposure to market risk, credit risk and liquidity risk from its use of financial instruments. There have not been any changes to the Company's exposure risks, or the objectives, policies and processes to manage these risks since December 31, 2012.

As at March 31, 2013, Delphi had the following derivative financial and physical commodity risk management contracts outstanding:

Financial Contracts

Time Period	Type of Contract	Quantity Contracted	Price Floor ($/unit)	Price Ceiling ($/unit)
April 2012 – December 2014	Natural Gas – fixed	6,000 GJ/d	$2.88 Cdn	$2.88 Cdn
April 2013 – April 2015	Natural Gas – fixed	3,000 GJ/d	$3.535 Cdn	$3.535 Cdn
April 2013 – December 2015	Natural Gas – fixed	3,000 GJ/d	$3.27 Cdn	$3.27 Cdn
April 2013 – December 2016	Natural Gas – fixed	3,000 GJ/d	$3.40 Cdn	$3.40 Cdn
March 2013 – December 2013	Crude Oil – fixed	150 bbls/d	$89.65 Cdn	$89.65 Cdn
January 2014 – December 2014 (1)	Crude Oil – call option	600 bbls/d	-	$90.00 U.S.

(1) The Company acquired a natural gas contract at $5.69 per gigajoule on 6,810 gigajoules per day for the period April 1, 2011 through December 31, 2011. The contract was paid for with the sale of a crude oil call on 600 barrels per day at a price of U.S. $90.00 WTI per barrel for the period January 1, 2012 through December 31, 2012. Delphi has deferred this crude oil call to January 1, 2014 through December 31, 2014.

Physical Contracts

Time Period	Type of Contract	Quantity Contracted	Price Floor ($/unit)	Price Ceiling ($/unit)
April 2012 – December 2013	Natural Gas – fixed	2,000 mmbtu/d	$3.21 U.S.	$3.21 U.S.
January 2013 – December 2013	Natural Gas – fixed	1,500 GJ/d	$3.41 Cdn	$3.41 Cdn
April 2013 – December 2013	Natural Gas – fixed	1,500 GJ/d	$3.42 Cdn	$3.42 Cdn
May 2013 – October 2013	Natural Gas – fixed	2,000 GJ/d	$3.45 Cdn	$3.45 Cdn

Natural gas physical commodity risk management contracts based in U.S. dollars include an embedded derivative associated with the foreign exchange rate. The changes in the fair value of these contracts, which are considered derivatives due to the embedded feature, are included in the unrealized loss on financial instruments in the consolidated statement of earnings.

In addition to commodity risk management contracts, the Company has two interest rate swap transactions on borrowings through bankers' acceptances. The details are as follows:

Time Period	Amount	Fixed Interest Rate
June 2012 – May 2014	**20,000**	**1.09**
March 2013 – February 2015	**20,000**	**1.25**

The fair value of the risk management contracts outstanding as at March 31, 2013 is estimated to be a liability of approximately $7.5 million. As at March 31, 2013, no risk management contracts were offset as all contracts outstanding were in liability positions. For the three months ended March 31, 2013, Delphi recorded an unrealized loss on its risk management contracts of $3.5 million. The unrealized loss recognized is the difference between the fair value of the risk management contracts outstanding as at March 31, 2013 and the fair value as at December 31, 2012.

(F) EXPLORATION AND EVALUATION ASSETS

	Total
Balance as at December 31, 2011	18,699
Additions	5,478
Dispositions	(3,061)
Transfer to oil and gas properties	(8,710)
Balance as at December 31, 2012	12,406
Additions	159
Acquisitions	12,135
Transfer to oil and gas properties	(2,597)
Balance as at March 31, 2013	**22,103**

Exploration and evaluation assets consist of the Company's exploration projects which are pending the determination of proven and probable reserves. During the first three months of 2013, Delphi acquired 30 gross (26.8 net) sections of Montney rights for $13.7 million. Certain of the sections acquired were assigned reserves due to their proximity to existing Delphi producing wells. The sections that were assigned reserves have been included in crude oil and natural gas properties. For the three months ended March 31, 2013, $2.6 million was transferred to property, plant and equipment following the successful discovery of proven and probable reserves.

(G) PROPERTY, PLANT AND EQUIPMENT

Cost	Crude oil and natural gas properties	Production equipment	Other assets	Total
Balance as at December 31, 2011	485,028	27,862	758	513,648
Additions	62,932	21,066	102	84,100
Decommissioning obligations	16,235	603	-	16,838
Dispositions	(8,165)	-	-	(8,165)
Reclassification to assets held for sale	(30,293)	(1,731)	-	(32,024)
Reclassification from assets held for sale	-	1,433	-	1,433
Transfer from exploration and evaluation assets	8,710	-	-	8,710
Balance as at December 31, 2012	534,447	49,233	860	584,540
Additions	25,574	128	3	25,705
Decommissioning obligations	(543)	(113)	-	(656)
Transfer from exploration and evaluation assets	2,597	-	-	2,597
Balance as at March 31, 2013	**562,075**	**49,248**	**863**	**612,186**

Accumulated depletion and depreciation	Crude oil and natural gas properties	Production equipment	Other assets	Total
Balance as at December 31, 2011	(114,615)	(6,365)	(246)	(121,226)
Depletion and depreciation	(42,450)	(662)	(135)	(43,247)
Dispositions	3,435	-	-	3,435
Reclassification to assets held for sale	5,932	-	-	5,932
Impairment losses	(55,006)	(4,360)	-	(59,366)
Balance as at December 31, 2012	(202,704)	(11,387)	(381)	(214,472)
Depletion and depreciation	(7,466)	(250)	(34)	(7,750)
Balance as at March 31, 2013	**(210,170)**	**(11,637)**	**(415)**	**(222,222)**
Net book value as at March 31, 2013	**351,905**	**37,611**	**448**	**389,964**
Net book value as at December 31, 2012	331,743	37,846	479	370,068

Delphi has included $267.1 million (March 31, 2012: $168.5 million) for future development costs and excluded $1.9 million (March 31, 2012: $3.3 million) for estimated salvage from the depletion calculation for the three months ended March 31, 2013.

During the three months ended March 31, 2013, Delphi received $3.2 million for oil and gas properties that did not have a net book value and had a $40 thousand decommissioning liability, resulting in a gain of $3.2 million.

For the three months ended March 31, 2013, Delphi capitalized $0.6 million (March 31, 2012: $0.7 million) of general and administrative expenses and $0.4 million (March 31, 2012: $0.3 million) of share-based compensation expense directly related to exploration and development activities.

For the year ended December 31, 2012, the Company recognized $59.4 million of impairments, of which $21.0 million was recorded during the first quarter of 2012, relating to its Hythe, Berland River, Miscellaneous Alberta and North East B.C. CGUs. The impairments were based on the difference between the period end carrying value of the CGU's and the recoverable amount. The recoverable amounts were determined using a fair value less costs to sell methodology with the expected future cash flows based on proved and probable reserves using pre-tax discount rates of 8 to 20 per cent.

(H) FINANCE LEASE OBLIGATION

The Company entered into an agreement in March 2012 to lease a compressor with a commitment to purchase the equipment at the end of the lease term. The lease arrangement resulted in the recognition of an asset and an obligation. In March 2013, Delphi fulfilled its commitment to purchase the leased equipment resulting in the derecognition of the finance lease obligation.

(I) LONG TERM DEBT

	March 31, 2013	December 31, 2012
Prime-based loans	**20,000**	5,000
Bankers' acceptances, net of discount	**78,824**	79,418
Total	**98,824**	84,418

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

A semi-annual review of the Company's $125.0 million extendible revolving term credit facility will be conducted during the second quarter of 2013. The borrowing base of the facilities will be based on the lenders' evaluation of the Company's petroleum and natural gas reserves and commodity prices.

(J) SHARE CAPITAL

(a) Issued and outstanding		**March 31, 2013**		December 31, 2012
	Outstanding shares (000's)	**Amount**	Outstanding shares (000's)	Amount
Balance, beginning of period	**153,049**	**304,816**	131,000	275,682
Issued for cash	**-**	**-**	17,242	25,000
Issued for cash on a flow-through basis	**-**	**-**	4,572	5,349
Issued on exercise of stock options	**51**	**33**	235	152
Transferred on exercise of options	**-**	**17**	-	78
Share issue costs, net of deferred tax effect	**-**	**-**	-	(1,445)
Balance, end of period	**153,100**	**304,866**	153,049	304,816

On November 13, 2012, Delphi issued, on a bought deal basis, 17.2 million common shares at a price of $1.45 per share and 4.6 million common shares on a flow-through basis at a price of $1.75 per common share for total gross proceeds of $33.0 million. A premium of $2.7 million related to the issuance of the common shares on a flow-through basis was recorded as a long term liability on the consolidated statement of financial position. The liability is derecognized, with a corresponding deferred tax expense, as the Company incurs qualifying exploration expenditures. Delphi has an obligation to incur $8.0 million in qualifying exploration expenditures by December 31, 2013 to satisfy the terms of this flow-through common share issuance.

(b) Net earnings (loss) per share

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

	2013	2012
Weighted average common shares - basic	**153,070**	131,027
Dilutive effect of share options outstanding	**316**	-
Weighted average common shares - diluted	**153,386**	131,027

(K) SUPPLEMENTAL CASH FLOW INFORMATION

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

	2013	2012
Source/(use) of cash		
Accounts receivable	**(3,493)**	(382)
Prepaid expenses and deposits	**119**	(111)
Outstanding cheques	**2,964**	-
Accounts payable and accrued liabilities	**13,470**	15,051
Total change in non-cash working capital	**13,060**	14,558
Relating to:		
Operating activities	**1,918**	(2,093)
Financing activities	**(212)**	-
Investing activities	**11,354**	16,651
	13,060	14,558

(L) COMMITMENTS

As a result of the flow-through shares issued on November 13, 2012, Delphi is committed to incur approximately $8.0 million in qualifying Canadian exploration expenses on or before December 31, 2013.

Pursuant to a farm-in agreement, Delphi must drill a total of 5 gross wells in 2013 and 2014 of which it has a commitment to pay the farmor's working interest, representing 2.3 net wells. As a result of the Company's winter drilling program, the Company drilled 2 gross committed wells of which the farmor's working interest after payout represents 0.38 net wells. The farm-in agreement will allow Delphi to earn working interests in Montney and Nordegg petroleum and natural gas rights ("PNG rights") in its core area of Bigstone, Alberta. Under this farm-in agreement, Delphi may earn a minimum of a 33 percent working interest in 23.5 sections of PNG rights at a remaining estimated cost of $17.7 million or up to a 75 percent working interest in 35 sections of PNG rights at a remaining estimated cost of $30.2 million. In the event Delphi does not complete their drilling commitments associated with this farm-in agreement, the Company is exposed to a maximum non-performance fee of $4.0 million.

DIRECTORS

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

Tony Angelidis
Senior Vice President Exploration
Delphi Energy Corp.

Harry S. Campbell, Q.C. (3)
Partner
Burnet, Duckworth & Palmer LLP

Robert A. Lehodey, Q.C. (2) (3)
Partner
Osler, Hoskin & Harcourt LLP

Stephen Mulherin (1)
Partner
Polar Capital Corporation

Andrew E. Osis (1) (3)
Independent Businessman

David Sandmeyer (2)
Director
Freehold Royalty Trust

Lamont C. Tolley (1) (2)
Independent Businessman

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

AUDITORS

KPMG LLP

LEGAL COUNSEL

Osler, Hoskin & Harcourt LLP

OFFICERS

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President and Chief Executive Officer

Tony Angelidis
Senior Vice President Exploration

Hugo H. Batteke
Vice President Operations

Michael K. Galvin
Vice President Land

Rod A. Hume
Senior Vice President Engineering

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

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BANKERS

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

INDEPENDENT ENGINEERS

GLJ Petroleum Consultants Ltd.

STOCK EXCHANGE LISTING

Toronto Stock Exchange – DEE

TRANSFER AGENT

Olympia Trust Company

ABBREVIATIONS

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

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