DELPHI ENERGY CORP.

Q3: For the nine months ended September 30, 2012

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Third Quarter 2012 Highlights

- produced an average of 8,257 barrels of oil equivalent per day ("boe/d");
- increased its average corporate NGL yield by approximately 33 percent to a current 40 barrels per million cubic feet ("bbls/mmcf") from an average of 30 bbls/mmcf prior to the start-up of the Bigstone East Montney production;
- commenced drilling operations at the Bigstone East Montney 16-3 location; and
- closed the disposition of the Company's Cardium oil assets at Bigstone representing 450 boe/d for net proceeds of $22.4 million with proceeds applied against bank debt.

Financial Information ($ thousands except per unit amounts)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011	% Change	**2012**	2011	% Change
Petroleum and natural gas sales	**20,878**	32,194	(35)	**66,896**	93,772	(29)
Per boe	**29.25**	40.78	(28)	**29.65**	40.49	(27)
Funds from operations	**7,881**	17,213	(54)	**26,036**	49,791	(48)
Per boe	**10.37**	20.87	(50)	**11.02**	20.92	(47)
Per share – Basic	**0.06**	0.15	(60)	**0.20**	0.43	(53)
Per share – Diluted	**0.06**	0.14	(57)	**0.20**	0.42	(52)
Net earnings (loss)	**(9,190)**	4,058	(326)	**(28,636)**	10,777	(366)
Per boe	**(12.10)**	4.92	(346)	**(12.11)**	4.53	(367)
Per share – Basic	**(0.07)**	0.03	(333)	**(0.22)**	0.09	(344)
Per share – Diluted	**(0.07)**	0.03	(333)	**(0.22)**	0.09	(344)
Capital invested	**7,516**	33,356	(77)	**72,190**	77,195	(6)
Disposition of properties	**(23,045)**	(7,702)	199	**(34,619)**	(8,038)	331
Net capital invested	**(15,529)**	25,654	(161)	**37,571**	69,157	(46)
Acquisition of properties	**-**	130	-	**-**	217	-
Total capital invested	**(15,529)**	25,784	(160)	**37,571**	69,374	(46)

Operational Information

	Three Months Ended September 30,			Nine Months Ended September 30,		
Production	**2012**	2011	% Change	**2012**	2011	% Change
Crude oil (bbls/d)	**573**	1,262	(55)	**796**	1,165	(32)
Field condensate (bbls/d)	**257**	133	93	**229**	117	96
Natural gas liquids (bbls/d)	**1,069**	1,074	-	**1,117**	1,154	(3)
Total crude oil and natural gas liquids	**1,899**	2,469	(23)	**2,142**	2,436	(12)
Natural gas (mcf/d)	**38,148**	38,989	(2)	**38,910**	37,662	3
Total (boe/d)	**8,257**	8,967	(8)	**8,627**	8,714	(1)

	September 30, 2012	December 31, 2011	% Change
Debt plus working capital deficiency (1)	**117,016**	95,632	22
Total assets	**425,998**	447,073	(5)
Shares outstanding (000's)			
Basic	**131,235**	131,000	1
Diluted	**142,910**	141,591	1

(1) excludes the fair value of financial instruments.

MESSAGE TO SHAREHOLDERS

The third quarter of 2012 was highlighted by continued challenging natural gas prices due to ongoing strong production supply in the United States despite a significant reduction in drilling rigs focused on natural gas. Increased coal-to-gas switching for the purpose of generating electricity during a hot summer in the U.S. eroded a significant over supply of natural gas entering the summer injection season, however, only down to normal levels at the start of the winter heating season. Canadian AECO natural gas prices averaged 24 percent higher than the second quarter at $2.30 per thousand cubic feet ("mcf").

Production during the third quarter of 2012 averaged 8,257 boe/d, representing an eight percent decrease from the comparative quarter of 2011. The decrease in production was primarily due to the disposition of predominantly producing oil properties in the first and third quarter of 2012, resulting in crude oil production down 689 bbls/d or 55 percent compared to the third quarter of 2011. Field condensate production increased 93 percent over the same period as a result of the production growth from the Bigstone East Montney property. Field and plant recovered condensate now represents approximately 40 percent of the total NGL production volumes. Production volumes for the third quarter were also negatively impacted by approximately 380 boe/d (34 percent NGL's) due to maintenance outages at Wapiti.

Capital expenditures during the third quarter were $7.5 million, which primarily included the completion and tie-in of its third Montney horizontal well in Bigstone East. Net capital expenditures in the third quarter of 2012 were negative $15.5 million as a result of net proceeds of $23.0 million from the disposition of its Cardium oil assets and working interests in North East British Columbia. For the nine months ending September 30, 2012 net capital expenditures were $37.6 million of which $22.9 million or 61 percent were for facilities and pipeline infrastructure at Bigstone East. Due to low natural gas prices during the first nine months of 2012, net capital expenditures in 2012 have been curtailed to just 54 percent of 2011 levels.

Funds from operations in the third quarter of 2012 were $7.9 million or $0.06 per basic share. Delphi's funds flow and cash netbacks were primarily negatively affected in the third quarter compared to the same quarter in 2011 by lower oil volumes and lower prices received primarily for its natural gas and natural gas liquids volumes.

For the quarter ended September 30, 2012, the Company recognized approximately $2.1 million in realized gains on financial and physical commodity risk management contracts. For the remainder of 2012, Delphi has approximately 66 percent of its daily natural gas production protected at an average price of $2.88 per mcf and approximately 90 percent of its daily light oil production fixed by financial contracts at an average WTI price of Cdn. $98.50 per barrel ("bbl"), providing significant stability to the Company's funds from operations.

Operations

Bigstone Montney

With the benefit of production history and ongoing reservoir characterization of the Montney formation, the Company continues to enhance its approach to drilling and completion operations with the goal of optimizing capital efficiencies and continued improvement in well results. Liquid yields continue to exceed the Company's expectations.

At Bigstone East, the Company has commenced drilling its forth horizontal Montney well at a surface location of 16-3-60-23W5. The Company looks forward to reporting results once the well has been completed in early 2013. After an ambitious start to developing the Montney play at Bigstone East through 2012, including construction of significant 100 percent owned infrastructure, the Company's capital program at Bigstone East will now be allocated primarily to the drilling of new wells and filling up the existing capacity.

The Company expects to spud a second Montney well at Bigstone East prior to year-end 2012.

The Company's first Montney horizontal well at Bigstone East (100 percent working interest), with a surface location of 1-19-60-22W5 has produced over its first 180 days at an average rate of 2.2 mmcf/d sales (561 boe/d). Current liquids yield, including shallow-cut gas plant NGL recoveries, is 80 bbls/mmcf sales, 59 percent of which is field and plant recovered condensate.

The Company's second Montney horizontal well at Bigstone East (75 percent working interest), with a surface location of 5-14-60-23W5 has produced over its first 150 days at an average gross rate of 2.2 mmcf/d sales (494 boe/d). Current liquids yield, including shallow-cut gas plant NGL recoveries, is 60 bbls/mmcf sales, 56 percent of which is field and plant recovered condensate.

The Company's third Montney horizontal well at Bigstone East (100 percent working interest), also with a surface location of 5-14-60-23W5 has produced over its first 90 days at an average rate of 4.4 mmcf/d sales (976 boe/d). Current liquids yield, including shallow-cut gas plant NGL recoveries, is 65 bbls/mmcf sales, 52 percent of which is field and plant recovered condensate.

Bigstone Gething

The Company remains encouraged by the results of its first Gething horizontal well at Bigstone with a surface location of 3-16-60-23W5 (65 percent working interest). The well was completed with a 10 stage fracture treatment over the 879 m horizontal lateral. The well has produced over its first 180 days at an average rate of 2.5 mmcf/d sales (485 boe/d). Current liquids yield, including shallow-cut gas plant NGL recoveries, is 25 bbls/mmcf sales, 63 percent of which is field and plant recovered condensate. The Company has identified approximately 57 gross locations over its existing land base.

Wapiti

After being delayed by wet weather conditions, the Company plans to commence completion operations in the next week on two deviated wells (2.0 net) drilled from the same surface location in early 2012. The wells will be completed in the Nikanassin and Gething formations and are expected to produce liquids at approximately 80 bbls/mmcf sales, including deep-cut plant NGL recoveries. Both wells are expected to be on production by mid-December.

Outlook

Delphi is optimistic on an improved natural gas price outlook through 2013, recognizing the price sensitivity to a much needed normal winter heating demand cycle. Natural gas prices have continued to recover from the lows of Cdn. $1.67 per mcf experienced in the second quarter to current price levels over $3.00 per mcf. The Company has approximately 40 percent of its natural gas volumes hedged for the first quarter of 2013 at $2.85 per mcf, falling to approximately 20 percent at $3.08 for the remainder of 2013. The Company plans to increase its 2013 hedge position to approximately 50 percent over the next several months.

Capital expenditures for the remainder of the year are expected to be in line with funds from operations to maintain the balance sheet strength and financial flexibility achieved through the disposition of the Company's Cardium assets in the Bigstone area for $23.0 million and the recent $33.0 million equity financing resulting in current net bank debt reduced to approximately $85.0 million.

The Company expects to release its first half 2013 drilling plans and capital budget with preliminary production guidance in early December, 2012. The winter capital program is expected to focus on development drilling activities as well as potential consolidation opportunities at Bigstone.

On behalf of the Board of Directors and all the employees of Delphi, we would like to thank our shareholders for their continued support as we remain focused on sustainable, capital efficient growth of the Company's production and reserve base while maintaining financial strength and flexibility in this challenging crude oil and natural gas pricing environment.

On behalf of the Board,

David J. Reid
President and Chief Executive Officer
November 13, 2012

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 and nine months ended September 30, 2012 and 2011 and should be read in conjunction with the unaudited condensed consolidated interim financial statements and accompanying notes for the three and nine months ended September 30, 2012 and the audited consolidated financial statements of the Company for the years ended December 31, 2011 and 2010 and the related MD&A of financial results as disclosure which is unchanged from such MD&A may not be repeated herein. The unaudited condensed 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. This discussion and analysis has been prepared as of November 13, 2012.

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

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

DELPHI'S OPERATIONS

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

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

THIRD QUARTER 2012 ACCOMPLISHMENTS

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

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

- produced an average of 8,257 barrels of oil equivalent per day ("boe/d");
- disposed of its Cardium oil assets at Bigstone representing 450 boe/d for net proceeds of $22.4 million;
- reduced outstanding bank debt from the second quarter by $20.1 million; and
- completed and tied-in the third Montney horizontal well at Bigstone East that was drilled during the second quarter.

Funds from operations in the third quarter of 2012 were $7.9 million or $0.06 per basic and diluted share, compared to $17.2 million or $0.15 per basic and diluted share in the comparative quarter in 2011. The decrease in funds from operations from the third quarter of 2011 to that of 2012 is primarily due to a decrease in realized natural gas, crude oil and natural gas liquids prices. In the third quarter of 2012, Delphi recognized $1.3 million and $0.8 million in realized gains on financial and physical commodity risk management contracts, respectively.

At September 30, 2012, the Company had net debt of $117.0 million on total credit facilities of $145.0 million. Net debt includes bank debt plus working capital deficiency excluding the fair value of financial instruments.

On November 13, 2012, Delphi issued, on a bought deal basis, 17,241,500 common shares at a price of $1.45 per share and 4,571,500 common shares on a flow-through basis at a price of $1.75 per common share for total gross proceeds of $33.0 million. The net proceeds of the offering, estimated to be $31.2 million, will be used to initially reduce outstanding indebtedness and thereafter to fund Delphi's continuing capital program and for general corporate purposes.

2012 OUTLOOK AND FORWARD-LOOKING INFORMATION

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

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

Although the Company believes that the expectations reflected in such forward-looking statements and information are reasonable, it can give no assurance that such expectations will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oil and gas industry in general such as operational risks in development, exploration and production, delays or changes in plans with respect to exploration or development projects or capital expenditures, the uncertainty of estimates and projections relating to production rates, costs and expenses, commodity price and exchange rate fluctuations, marketing and transportation, environmental risks, competition, the ability to access sufficient capital from internal and external sources and changes in tax, royalty and environmental legislation. Additional information on these and other factors that could affect the Company's operations or financial results are included in reports on file with the applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com). The forward-looking statements and information contained in this MD&A are made as of November 13, 2012 for the purpose of providing the readers with the Company's expectations for the coming year. The forward-looking statements and information may not be appropriate for other purposes. Delphi undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Delphi's expectations for 2012 are based upon its projection of drilling plans, drilling success, expected completion of wells, expected tie-in of wells and production results and the estimated related revenues and associated costs of royalties, transportation expenses, operating costs, general and administrative expenses and interest costs and expected closing of sale transactions. 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 2012?

Delphi continues to rationalize certain non-core assets. During the first quarter of 2012, the Company completed the sale of non-core producing assets for net proceeds of $11.0 million. During the third quarter of 2012, Delphi disposed of its Cardium oil assets for approximate net proceeds of $22.4 million and some of its working interests in British Columbia for approximate net proceeds of $0.5 million.

Capital expenditures for the remainder of the year are expected to be in line with funds from operations to maintain the balance sheet strength and financial flexibility achieved through the disposition of the Company's Cardium assets. The Company is targeting net debt at December 31, 2012 to be between $87.0 million and $92.0 million, including the net proceeds from the equity offering which closed on November 13, 2012.

THIRD QUARTER 2012 OPERATIONAL AND FINANCIAL RESULTS

BUSINESS ENVIRONMENT

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

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 September 30,			Nine Months Ended September 30,		
	2012	2011	% Change	**2012**	2011	% Change
Natural Gas						
NYMEX (US $/mmbtu)	**2.88**	4.12	(30)	**2.54**	4.22	(40)
AECO (CDN $/mcf)	**2.30**	3.65	(37)	**2.12**	3.76	(44)
Crude Oil						
West Texas Intermediate (US $/bbl)	**92.18**	89.80	3	**96.20**	95.49	1
Edmonton Light (CDN $/bbl)	**84.27**	91.74	(8)	**86.78**	94.32	(8)
Foreign Exchange						
Canadian to U.S. dollar	**0.99**	0.98	1	**0.99**	0.98	1
U.S. to Canadian dollar	**1.01**	1.02	(1)	**1.01**	1.02	(1)

Natural Gas

The consistent level of natural gas production in the United States, despite a significant drop in natural gas drilling, continues to exceed natural gas demand in North America, leading to an excess supply situation and lower natural gas commodity prices. AECO averaged $2.30 per mcf in the third quarter of 2012, 37 percent lower than the comparative period in 2011 and 24 percent higher than the second quarter of 2012.

Crude Oil

WTI averaged U.S. $92.18 per barrel in the third quarter of 2012, an increase of three percent over the third quarter of 2011. The increase in price was reduced by an adjustment for an oversupply of crude oil at Cushing, Oklahoma resulting in Canadian prices being eight percent lower in the third quarter of 2012 over the comparative period of 2011. Edmonton light averaged $84.27 per barrel in the third quarter of 2012 versus $91.74 per barrel in the comparative period in 2011.

Canadian/United States Exchange Rate

The value of the Canadian dollar against its U.S. counterpart continues to hold its strength in 2012. As a producer of crude oil, a stronger Canadian dollar has a negative effect on the price received for production. The average Cdn/US exchange rate for the three months ended September 30, 2012 was $0.99 compared to $0.98 for the same period in 2011. This negative effect to the price of oil for Canadian producers was further impacted by the differential between U.S. and Canadian markets.

DRILLING OPERATIONS

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

Delphi had another successful capital program in the first nine months of 2012, drilling 6 gross (5.5 net) wells with a success rate of 100 percent. The drilling was primarily focused on the Bigstone Montney and Gething development. Two wells that were drilled in Wapiti in the first quarter of 2012 are expected to be completed and tied-in during the fourth quarter of 2012.

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

	Nine Months Ended September 30, 2012	
	Gross	**Net**
Liquids rich natural gas (>40 bbl/mmcf liquids content)	**5.0**	**4.8**
Natural gas (>20 bbl/mmcf < 40 bbl/mmcf liquids content)	**1.0**	**0.7**
Natural gas (<20 bbl/mmcf liquids content)	**-**	**-**
Total wells	**6.0**	**5.5**
Success rate (%)	**100**	**100**

CAPITAL INVESTED

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

Total capital expenditures year to date were $72.2 million which was primarily directed toward the Bigstone Montney and Gething drilling programs (65 percent of capital) and the construction of the Bigstone Montney facility (32 percent of capital) which has the capacity to handle 30 mmcf/d of natural gas and capacity to store 3,000 barrels of field condensate. Total capital invested in the third quarter of 2012 was $7.5 million which was primarily directed toward the completion and tie-in of the Bigstone East Montney well drilled in the second quarter.

During the first quarter of 2012, Delphi closed the disposition of its non-operated light oil interests in the Hythe area and minor offsetting lands for net proceeds of approximately $11.0 million. Production associated with the disposition was approximately 217 boe/d (66 percent light oil), based on fourth quarter 2011 production volumes. Proceeds from the sale were used to fund the ongoing Bigstone Montney development. In the third quarter of 2012, Delphi closed the disposition of its Cardium oil assets and the majority of its non-operated properties in British Columbia for combined net proceeds of approximately $22.9 million. Production associated with the Cardium disposition was approximately 450 boe/d (48 percent light oil).

As of September 30, 2012, Delphi has a total of 44 sections (41.7 net) of land on two separate blocks which are prospective for liquids-rich natural gas in the Montney formation, situated at its core area of Bigstone located within the Deep Basin of North West Alberta.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011	% Change	**2012**	2011	% Change
Land	**275**	1,520	(82)	**344**	1,940	(82)
Seismic	**14**	15	(7)	**51**	166	(69)
Drilling, completions and equipping	**4,709**	28,399	(83)	**46,617**	62,299	(25)
Facilities	**1,800**	2,569	(30)	**22,913**	10,089	127
Capitalized expenses	**654**	1,387	(53)	**2,199**	2,650	(17)
Other	**64**	(534)	(112)	**66**	51	29
Capital invested	**7,516**	33,356	(77)	**72,190**	77,195	(6)
Disposition of properties	**(23,045)**	(7,702)	199	**(34,619)**	(8,038)	331
Net capital invested	**(15,529)**	25,654	(161)	**37,571**	69,157	(46)
Acquisition of properties	**-**	130	-	**-**	217	-
Total capital invested	**(15,529)**	25,784	(160)	**37,571**	69,374	(46)

PRODUCTION

What factors contributed to the production volumes?

Production volumes for the three months ended September 30, 2012 averaged 8,257 boe/d, an eight percent decrease over the comparative period. Crude oil and natural gas liquids production volumes decreased 23 percent in comparison to the same period in 2011. The decrease in crude oil and natural gas liquids production volumes is primarily due to the disposition of predominantly producing oil properties in the first and third quarter of 2012, partially offset by an increase in field condensate production as a result of the Company's liquids-rich gas drilling program. The decrease in total production in the third quarter of 2012 is due to natural declines and property dispositions partially offset by production from the Company's third Montney East well that was brought on-stream during the third quarter.

Production volumes for the first nine months of 2012 averaged 8,627 boe/d, a one percent decrease over the comparative period. Natural gas volumes increased by three percent and crude oil and natural gas liquids decreased by twelve percent in the first nine months of 2012 in comparison to the same period in 2011. The decrease in crude oil and natural gas liquids production volumes is primarily due to the Hythe and Cardium property dispositions, which were predominantly producing oil properties, and non-operated plant turnarounds in the second quarter of 2012. This decrease is partially offset by an increase in field condensate production which is a result of the Company's successful liquids-rich gas drilling program.

Delphi's production portfolio for the third quarter of 2012 was weighted 10 percent to crude oil, 13 percent to natural gas liquids and 77 percent to natural gas.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011	% Change	**2012**	2011	% Change
Crude oil (bbls/d)	**573**	1,262	(55)	**796**	1,165	(32)
Field condensate (bbls/d)	**257**	133	93	**229**	117	96
Natural gas liquids (bbls/d)	**1,069**	1,074	-	**1,117**	1,154	(3)
Total crude oil and natural gas liquids	**1,899**	2,469	(23)	**2,142**	2,436	(12)
Natural gas (mcf/d)	**38,148**	38,989	(2)	**38,910**	37,662	3
Total (boe/d)	**8,257**	8,967	(8)	**8,627**	8,714	(1)

REALIZED SALES PRICES

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

For the three months ended September 30, 2012, Delphi's realized natural gas price decreased by 34 percent when compared to the same period in 2011. This decrease in realized natural gas prices is primarily the result of a 37 percent decrease in the average daily AECO index, a decrease in the premium received and a decrease in realized gains on financial commodity risk management contracts. The decrease was partially offset by higher realized gains on physical commodity risk management contracts.

Realized crude oil prices were three percent lower in the third quarter of 2012 compared to the same period in 2011. The decrease is due to a decline in Canadian Benchmark crude prices, partially offset by an increase in realized gains on financial commodity risk management contracts and a lower quality differential.

Natural gas liquids prices for the three months ended September 30, 2012 were 17 percent lower than in the same period in 2011. The decrease in pricing is primarily a result of a decrease in prices for propane, partially offset by an increase in condensate production which receives a higher price in comparison to the other natural gas liquids and realized gains on financial commodity risk management contracts.

	Three Months Ended September 30,			Nine Months Ended September 30, 2012		
	2012	2011	% Change	**2012**	2011	% Change
AECO ($/mcf)	**2.30**	3.65	(37)	**2.12**	3.76	(44)
Heating content and marketing ($/mcf)	**0.30**	0.35	(14)	**0.26**	0.27	(2)
Gain on physical contracts ($/mcf)	**0.22**	0.20	12	**0.18**	0.29	(37)
Gain on financial contracts ($/mcf)	**0.25**	0.44	(43)	**0.21**	0.35	(39)
Realized natural gas price ($/mcf)	**3.07**	4.64	(34)	**2.77**	4.67	(41)
Edmonton Light ($/bbl)	**84.27**	91.74	(8)	**86.78**	94.32	(8)
Gain (loss) on financial contracts ($/bbl)	**3.56**	(1.10)	-	**2.02**	(3.04)	-
Quality differential ($/bbl)	**(0.66)**	(1.12)	41	**0.27**	(0.89)	-
Realized oil price ($/bbl)	**87.17**	89.52	(3)	**89.07**	90.39	(1)
Realized natural gas liquids price ($/bbl)	**45.35**	54.59	(21)	**45.97**	50.45	(11)
Gain (loss) on financial contracts ($/bbl)	**1.98**	-	-	**1.15**	-	-
	47.33	54.59	(17)	**47.12**	50.45	(9)
Total realized sales price ($/boe)	**29.25**	40.78	(28)	**29.65**	40.49	(27)

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

Excluding commodity risk management contracts, the Company continues to receive higher than the AECO spot price on natural gas sales due to the high heating content of its natural gas production and the sale of approximately 7.2 million British thermal units (mmbtu) per day on the Alliance pipeline which is priced at the Chicago Monthly Index.

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

	Sept. 30 2012	Jun. 30 2012	Mar. 31 2012	Dec. 31 2011	Sept. 30 2011	Jun. 30 2011	Mar. 31 2011	Dec. 31 2010
Natural Gas Price								
Delphi realized ($/mcf)	3.07	2.71	2.60	4.19	4.64	4.76	4.62	5.00
AECO average ($/mcf)	2.30	1.86	2.15	3.20	3.65	3.87	3.80	3.64
Premium to AECO	34%	46%	21%	31%	27%	23%	22%	37%
Realized gain on commodity contracts ($000's)	1,661	2,092	470	2,669	2,306	2,142	2,126	4,045

RISK MANAGEMENT ACTIVITIES

What is Delphi's risk management strategy and what contracts are in place to mitigate the risk of commodity 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 26.2 mmcf/d of its before-royalty natural gas production at a predominately AECO based average floor price of $2.88 per mcf for the remainder of 2012. In addition, Delphi has commodity price risk management contracts for approximately 90 percent of its daily light oil production by financial contracts at an average WTI price of Cdn. $98.50 per barrel.

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

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

Physical Contracts

Time Period	**Type of Contract**	**Quantity Contracted**	**Price Floor ($/unit)**	**Price Ceiling ($/unit)**
January 2012 – December 2012 [(1)]	Natural Gas – call option	2,500 GJ/d	-	$4.50 CDN
April 2012 – October 2012	Natural Gas - fixed	1,000 mmbtu/d	$4.96 U.S.	$4.96 U.S.
April 2012 – October 2012	Natural Gas - fixed	2,000 GJ/d	$4.06 CDN	$4.06 CDN
April 2012 – December 2013	Natural Gas - fixed	2,000 mmbtu/d	$3.21 U.S.	$3.21 U.S.
June 2012 – March 2013	Natural Gas - fixed	5,000 GJ/d	$2.45 CDN	$2.45 CDN

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

Financial Contracts

Time Period	Type of Contract	Quantity Contracted	Price Floor ($/unit)	Price Ceiling ($/unit)
January 2012 – December 2012 [(1)]	Natural Gas – call option	3,000 GJ/d	-	$4.50 CDN
March 2012 – December 2012 [(2)]	Natural Gas - fixed	7,500 GJ/d	$2.65 CDN	$2.65 CDN
April 2012 – December 2014	Natural Gas - fixed	6,000 GJ/d	$2.88 CDN	$2.88 CDN
August 2012 – December 2012	Natural Gas - fixed	1,000 GJ/d	$2.55 CDN	$2.55 CDN
August 2012 – December 2012	Natural Gas - fixed	1,000 GJ/d	$2.60 CDN	$2.60 CDN
August 2012 – December 2012	Natural Gas - fixed	1,000 GJ/d	$2.655 CDN	$2.655 CDN
August 2012 – March 2013	Natural Gas - collar	1,000 GJ/d	$2.50 CDN	$2.95 CDN
August 2012 – March 2013	Natural Gas - collar	1,000 GJ/d	$2.50 CDN	$3.04 CDN
August 2012 – March 2013	Natural Gas - collar	1,000 GJ/d	$2.55 CDN	$3.07 CDN
May 2012 – December 2012	Natural Gas Liquid - fixed	200 bbls/d	$39.85 CDN	$39.85 CDN
March 2012 – December 2012 [(2)]	Crude Oil – call option	500 bbls/d	-	$110.00 U.S.
May 2012 – December 2012	Crude Oil - collar	250 bbls/d	$100.00 CDN	$108.25 CDN
May 2012 – December 2012[(3)]	Crude Oil – put option	250 bbls/d	$100.00 CDN	-
January 2014 – December 2014 [(4)]	Crude Oil – call option	600 bbls/d	-	$90.00 U.S.

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

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

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

[(4)] 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 commodity risk management contracts outstanding as at September 30, 2012 is estimated to be a net liability of approximately $4.5 million. For the nine months ended September 30, 2012, Delphi recognized an unrealized loss on its commodity risk management contracts of $1.3 million. The unrealized loss recognized is the difference between the fair value of the commodity risk management contracts outstanding as at September 30, 2012 and that of December 31, 2011.

The fair values of these contracts are based on an approximation of the amounts that would have been paid to or received from counterparties to settle the contracts outstanding at the end of the period having regard to forward prices and market values. Due to the inherent volatility in commodity prices, actual amounts realized may differ from these estimates.

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

REVENUE

How do revenues for the third quarter and first nine months of 2012 compare to 2011 and what factors contributed to the change?

For the three months ended September 30, 2012, Delphi generated revenue of $20.9 million, 35 percent lower than the comparative period in 2011. For the nine months ended September 30, 2012, revenues decreased 29 percent in comparison to the same period in 2011. The reduction in revenues from the first nine months of 2011 to that of 2012 is primarily due to a decrease in realized commodity prices, particularly for natural gas, and a reduction in crude oil and natural gas liquids production. For the first nine months of 2012, crude oil and natural gas liquids contributed to 58 percent of total revenues compared to 52 percent in the same period in 2011.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011	% Change	**2012**	2011	% Change
Natural gas	**9,129**	14,330	(36)	**25,390**	41,450	(39)
Natural gas physical contract gains	**783**	716	9	**1,963**	2,957	(34)
Crude oil	**6,384**	11,631	(45)	**24,449**	32,710	(25)
Natural gas liquids	**4,460**	5,395	(17)	**14,069**	15,900	(12)
Sulphur	**122**	122	-	**1,025**	755	36
Total	**20,878**	32,194	(35)	**66,896**	93,772	(29)

ROYALTIES

What were royalty costs in the third quarter and first nine months of 2012?

For the third quarter of 2012, royalties totaled $3.1 million compared to $5.4 million in the same period in 2011. In the first nine months of 2012, royalties totaled $11.7 million, a 19 percent decrease compared to the same period in 2011. The decrease is attributed to lower Crown royalties as a result of weakening natural gas and crude oil prices and increased production from recently drilled wells which take advantage of the Alberta royalty incentive programs.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011	% Change	**2012**	2011	% Change
Crown royalties	**3,638**	5,650	(36)	**11,945**	14,793	(19)
Royalty credits	**(1,765)**	(1,418)	24	**(4,615)**	(4,207)	10
Crown royalties – net	**1,873**	4,232	(56)	**7,330**	10,586	(31)
Gross overriding royalties	**1,255**	1,212	(2)	**4,387**	3,898	12
Total	**3,128**	5,444	(43)	**11,717**	14,484	(19)
Per boe	**4.12**	6.60	(38)	**4.96**	6.09	(19)

What were the average royalty rates paid on production in the third quarter of 2012?

In the three months ended September 30, 2012, the Crown royalty rates decreased 30 percent primarily as a result of increased production from recently drilled wells which take advantage of the Alberta royalty incentive programs and a reduction in commodity prices. The gross overriding royalty rate increased to 6.3 percent in the third quarter of 2012 from the 3.9 percent gross overriding royalty rate in the same period in 2011.

The average royalty rate for the nine months ended September 30, 2012 increased 13 percent compared to the same period in 2011 due to the granting of overriding royalties on certain lands in the Hythe area in the third quarter of 2011.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011	% Change	**2012**	2011	% Change
Crown rate – net of royalty credits	**9.3%**	13.4%	(30)	**11.3%**	11.7%	(3)
Gross overriding rate	**6.3%**	3.9%	62	**6.7%**	4.3%	56
Average rate	**15.6%**	17.3%	(10)	**18.0%**	16.0%	13

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 third quarter of 2012 compare to 2011?

Production expenses, net of processing income, for the three and nine months ended September 30, 2012 increased five percent and eleven percent, respectively, compared to the same period in 2011. The increase in production expenses, net of processing income, for the nine months ended September 30, 2012 compared to the same period in 2011 is primarily due to the new Montney production and facility.

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.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011	% Change	**2012**	2011	% Change
Production costs	**6,426**	6,536	(2)	**20,057**	18,219	10
Processing income	**(503)**	(885)	(43)	**(2,201)**	(2,164)	2
Total	**5,923**	5,651	5	**17,856**	16,055	11
Per boe	**7.80**	6.85	14	**7.55**	6.75	12

TRANSPORTATION EXPENSES

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

Transportation expenses for the three and nine months ended September 30, 2012 decreased 15 percent and eleven percent in comparison to the same period in 2011, respectively. The reduction is a result of reduced oil emulsion and clean oil trucking as a result of the dispositions in the first and third quarter and lower gas gathering and transportation fees.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011	% Change	**2012**	2011	% Change
Total	**2,259**	2,668	(15)	**6,374**	7,149	(11)
Per boe	**2.97**	3.23	(8)	**2.70**	3.01	(10)

GENERAL AND ADMINISTRATIVE

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

General and administrative ("G&A") expenses (after recoveries and allocations) for the third quarter of 2012 increased nine percent in comparison to the same period in 2011. Although gross expenses were reduced by six percent in the third quarter of 2012 compared to the same period in 2011, overhead recoveries and salary allocations also decreased causing the total G&A expense to increase.

G&A expenses (after recoveries and allocations) for the nine months ended September 30, 2012 decreased six percent compared to the same period in 2011. Gross expenses were reduced by 13 percent compared to the third quarter of 2011, primarily due to lower personnel costs. This decrease was partially offset by reduced overhead recoveries and salary allocations. Overhead recoveries and salary allocations are consistent with the Company's capital expenditures.

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011	% Change	**2012**	2011	% Change
Gross expenses	**2,580**	2,742	(6)	**8,407**	9,636	(13)
Overhead recoveries	**(280)**	(493)	(43)	**(1,101)**	(1,318)	(16)
Salary allocations	**(845)**	(919)	(8)	**(2,775)**	(3,491)	(21)
General and administrative expenses	**1,455**	1,330	9	**4,531**	4,827	(6)
Per boe	**1.91**	1.61	19	**1.92**	2.03	(6)

SHARE-BASED COMPENSATION

What is share-based compensation expense?

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011	% Change	**2012**	2011	% Change
Share-based compensation	**752**	678	11	**2,141**	1,213	76
Capitalized costs	**(305)**	(588)	(48)	**(984)**	(626)	57
Total	**447**	90	397	**1,157**	587	97
Per boe	**0.59**	0.11	439	**0.49**	0.25	99

Share-based compensation before capitalized costs increased eleven percent and 76 percent in the three and nine months ended September 30, 2012, respectively, compared to the same periods in 2011, respectively. The increase is primarily due to options granted subsequent to the third quarter of 2011 and the incremental expense related to the Company's outstanding restricted share units. During the first nine months of 2012, the Company granted 2.6 million options with a weighted average fair value of $0.50 per option. During the nine months ended September 30, 2012, Delphi capitalized $1.0 million of share-based compensation expense.

FINANCE COSTS

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

Bank interest charges increased 18 percent in the third quarter of 2012 compared to the same period in 2011 as a result of a higher average debt balance and higher interest rates charged on the Company's outstanding debt.

For the first nine months of 2012, bank interest charges decreased twelve percent when compared to the same period in 2011. Interest costs associated with the Company's long-term debt decreased as a result of a slightly lower average debt balance in the nine months ended September 30, 2012 when compared to the same period in 2011 and lower interest rates charged on the Company's outstanding debt.

As at September 30, 2012, Delphi's bankers' acceptances have terms ranging from 58 to 91 days and a weighted average effective interest rate of 4.78 percent over the term.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011	% Change	**2012**	2011	% Change
Interest	**1,577**	1,337	18	**3,551**	4,020	(12)
Accretion and finance lease charges	**151**	105	44	**452**	384	18
Total finance costs	**1,728**	1,442	20	**4,003**	4,404	(9)
Interest per boe	**2.08**	1.62	28	**1.50**	1.69	(11)
Non-cash finance charges per boe	**0.20**	0.13	56	**0.19**	0.16	18

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

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011	% Change	**2012**	2011	% Change
Accretion	**69**	105	(34)	**260**	384	(33)
Finance charge on finance lease obligation	**82**	-	-	**192**	-	-
Total	**151**	105	44	**452**	384	18
Accretion per boe	**0.09**	0.13	(31)	**0.11**	0.16	(32)
Finance charge on finance lease obligation per boe	**0.11**	-	-	**0.08**	-	-

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 30 years. The decrease in accretion expense is due to a decrease in the average risk free interest rate used for the calculation as at September 30, 2012 in comparison to the same period in 2011.

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

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

Delphi has entered into an interest rate swap transaction on borrowings through bankers' acceptances in the amount of $20.0 million maturing on June 1, 2014. The swap transaction has a fixed interest rate of 1.09 percent. The interest swap is fair valued at each reporting period and included in the fair value of financial instruments in the Company's consolidated statements of financial position.

DEPLETION, DEPRECIATION AND IMPAIRMENT

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

Depletion and depreciation per boe for the three months ended September 30, 2012 decreased twelve percent, over the comparative period. The decrease in depletion and depreciation expense is primarily a result of lower production volumes and a higher reserve base in the third quarter of 2012 compared to the same period in 2011.

In the third quarter of 2012, an impairment test was carried out for the Company's North East British Columbia ("NEBC") cash-generating unit ("CGU") as indicators of impairment were identified through the disposition of some of the Delphi's working interests in NEBC. The recoverable amount was determined using a fair value less costs to sell methodology using the market metrics associated with the Company's recent disposition. An impairment of $2.1 million was recognized and is included in depletion and depreciation expense on the consolidated statement of earnings.

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 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 September 30,			Nine Months Ended September 30,		
	2012	2011	% Change	**2012**	2011	% Change
Depletion and depreciation	**10,251**	11,585	(12)	**34,069**	33,708	1
Impairment loss	**2,129**	-	-	**23,129**	-	-
Total	**12,380**	11,585	7	**57,198**	33,708	70
Depletion and depreciation per boe	**13.49**	14.04	(4)	**14.41**	14.17	2
Impairment loss per boe	**2.80**	-	-	**9.78**	-	-

INCOME TAXES

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

Delphi recorded a deferred income tax recovery of $2.9 million and $8.3 million for the three and nine months ended September 30, 2012. Deferred taxes arise from differences between the accounting and tax bases of the Company's assets and liabilities. For the nine months ended September 30, 2012, Delphi's effective tax rate decreased to 22 percent, down from the 32 percent effective tax rate for the same period in 2011. The decrease in the effective tax rate is primarily a result of lower statutory tax rates and the difference in taxes on the renunciation of eligible Canadian Exploration Expenditures to satisfy obligations associated with the issuance of flow-through common shares. Delphi does not anticipate it will be cash taxable before 2014.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011	% Change	**2012**	2011	% Change
Deferred tax (recovery) expense	**(2,936)**	2,710	(208)	**(8,285)**	5,071	(263)
Per boe	**(3.86)**	3.28	(218)	**(3.50)**	2.13	(264)

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 third quarter of 2012 compare to 2011?

Delphi's cash flow from operating activities of $6.7 million for the three months ended September 30, 2012 decreased 67 percent from the $20.6 million generated in the same period in 2011. Delphi generated funds from operations of $7.9 million for the three months ended September 30, 2012, down 54 percent from the $17.2 million for the same period in 2011. The decrease in cash flow from operating activities and funds from operations for the third quarter of 2012 compared to the third quarter of 2011 was primarily the result of the continuation of the weakening in commodity sales prices in combination with reduced production volumes and a change in the production portfolio, a reduction in realized gains on commodity risk management contracts and an increase in interest charges.

Delphi's cash flow from operating activities of $21.8 million for the nine months ended September 30, 2012 decreased 57 percent from the $51.2 million generated in the same period in 2011. Delphi generated funds from operations of $26.0 million for the nine months ended September 30, 2012, down 48 percent from the $49.8 million for the same period in 2011. The decrease in cash flow from operating activities and funds from operations for the first nine months of 2012 compared to the same period in 2011 was primarily the result of overall weakening commodity sales prices in combination with reduced crude oil and natural gas liquids production volumes.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011	% Change	**2012**	2011	% Change
Cash flow from operating activities	**6,725**	20,641	(67)	**21,805**	51,166	(57)
Accretion of long-term debt	**(36)**	(65)	(45)	**338**	340	(1)
Decommissioning expenditures	**-**	-	-	**413**	-	-
Change in non-cash working capital	**1,192**	(3,363)	-	**3,480**	(1,715)	-
Funds from operations	**7,881**	17,213	(54)	**26,036**	49,791	(48)

NET EARNINGS

What factors contributed to the loss in 2012?

Delphi recorded a net loss of $9.2 million ($0.07 per basic share) for the third quarter of 2012, down from the $4.1 million net earnings ($0.03 per basic share) recorded in the same period in 2011. The net loss in the third quarter of 2012 compared to the net earnings in the third quarter of 2011 is primarily due to lower realized sale prices in combination with lower production and a change in the production portfolio, an unrealized loss on commodity risk management contracts, a higher loss on property dispositions and a non-cash impairment partially offset by deferred income tax recovery. Average production volumes in the third quarter of 2012 are only eight percent lower than the same period on 2011 while total realized sales price is down 28 percent in the third quarter of 2012 in comparison to the same period in 2011.

For the nine months ended September 30, 2012, Delphi recorded a net loss of $28.6 million ($0.22 per basic share), down from the $10.8 million net earnings ($0.09 per basic share) recorded in the same period in 2011. The reduction in earnings is primarily due to lower realized sale prices, particularly for natural gas as Delphi's realized natural gas price for the nine months ended September 30, 2012 decreased by 41 percent in comparison to the same period in 2011, an unrealized loss on commodity risk management contracts, higher operating expenses, an increase in loss on property dispositions and a non-cash $23.1 million impairment on its oil and gas properties partially offset by higher gains on commodity risk management contracts and a deferred income tax recovery. Average production volumes in the first nine months of 2012 are only one percent lower than the same period on 2011 while total realized sales price is down 27 percent in the first nine months of 2012 in comparison to the same period in 2011.

NETBACK ANALYSIS

How do Delphi's netbacks achieved in the third quarter and first nine months of 2012 compare to 2011?

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 weakening natural gas price and to strengthen its cash flow netback per boe.

For the three and nine months ended September 30, 2012, Delphi's cash netback per boe decreased 50 percent and 47 percent, respectively, compared to the same period in 2011, respectively. The decrease is primarily due to lower realized sales prices.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011	% Change	**2012**	2011	% Change
Barrels of oil equivalent ($/boe)						
Realized sales price	**29.25**	40.78	(28)	**29.65**	40.49	(27)
Royalties	**4.12**	6.60	(38)	**4.96**	6.09	(19)
Operating expenses	**7.80**	6.85	14	**7.55**	6.75	12
Transportation	**2.97**	3.23	(8)	**2.70**	3.01	(10)
Operating netback	**14.36**	24.10	(40)	**14.44**	24.64	(41)
General and administrative expenses	**1.91**	1.61	19	**1.92**	2.03	(6)
Interest	**2.08**	1.62	28	**1.50**	1.69	(11)
Cash netback	**10.37**	20.87	(50)	**11.02**	20.92	(47)
Unrealized loss/(gain) on commodity risk contracts	**4.65**	(2.51)	(285)	**0.53**	(0.48)	(209)
Stock-based compensation expense	**0.59**	0.11	439	**0.49**	0.25	99
Loss (gain) on dispositions	**4.60**	0.90	413	**1.23**	0.17	622
Depletion and depreciation	**16.29**	14.04	(4)	**24.19**	14.17	64
Accretion and finance lease charges	**0.20**	0.13	56	**0.19**	0.16	18
Deferred income taxes (recovery)	**(3.86)**	3.28	(218)	**(3.50)**	2.13	(264)
Net earnings (loss)	**(12.10)**	4.92	(346)	**(12.11)**	4.53	(368)

SELECTED INFORMATION

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

In 2010, the Company continued to be successful in its drilling program and focused on light oil and liquids-rich natural gas opportunities. 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 has completed in 2012, production volumes have only decreased one percent in the first nine months of 2012 when compared to the same period in 2011 as a result of its successful 2012 drilling program.

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

Natural gas prices over the past two years have generally reflected the cyclical nature of demand. Higher prices have been realized in the winter months, reflecting demand for heating with lower prices through the summer months as production is placed in storage for the upcoming heating season demand. The average spot price for AECO in 2010 was $4.00 per mcf and in 2011, the average spot price for AECO was $3.63 per mcf. In the third quarter of 2012, the average spot price for AECO was $2.30 per mcf. In 2010, WTI crude oil averaged U.S. $79.55, while in first half of 2011, crude oil prices increased exceeding U.S. $100 but withdrew in the second half of 2011. The average oil price in 2011 was U.S. $95.12. In the third quarter of 2012, WTI crude oil averaged U.S. $92.18 per barrel.

Net earnings of the Company are primarily driven by the difference between the cash netback realized per boe of production versus the Company's depletion, depreciation and amortization rate, unrealized losses on commodity risk management contracts and loss on dispositions. Overall finding and development ("F&D") costs were $14.83 per proved plus probable boe in 2010 and $12.37 per proved plus probable boe in 2011.

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

	Sept. 30 2012	June 30 2012	Mar. 31 2012	Dec. 31 2011	Sept. 30 2011	Jun. 30 2011	Mar. 31 2011	Dec. 31 2010
Production								
Oil (bbls/d)	830	1,083	1,164	1,436	1,395	1,346	1,102	1,147
Natural gas liquids (bbls/d)	1,069	1,040	1,244	1,405	1,074	1,317	1,072	906
Natural gas (mcf/d)	38,148	39,080	39,510	38,973	38,989	37,460	36,509	38,918
Barrels of oil equivalent (boe/d)	8,257	8,636	8,993	9,337	8,967	8,906	8,259	8,539
Financial								
($ thousands except per share amounts)								
Crude oil and natural gas sales	20,878	21,875	24,143	33,115	32,194	32,678	28,900	29,792
Funds from operations	7,881	7,181	10,974	17,081	17,213	17,517	15,061	17,868
Per share – basic	0.06	0.05	0.08	0.14	0.15	0.15	0.13	0.16
Per share – diluted	0.06	0.05	0.08	0.14	0.14	0.15	0.13	0.16
Net earnings (loss)	(9,190)	(3,531)	(15,915)	825	4,058	5,757	962	1,744
Per share – basic	(0.07)	(0.03)	(0.12)	0.01	0.03	0.05	0.01	0.02
Per share – diluted	(0.07)	(0.03)	(0.12)	0.01	0.03	0.05	0.01	0.02

LIQUIDITY AND CAPITAL RESOURCES

Share Capital

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

At September 30, 2012, the Company had 131.2 million common shares outstanding (December 31, 2011 – 131.0 million). The common shares of Delphi trade on the TSX under the symbol DEE. The following table summarizes outstanding share data for the three and nine months ended September 30, 2012:

	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2012
Weighted Average Common Shares		
Basic and diluted	131,145	131,097
Trading Statistics [1]		
High	1.42	2.23
Low	1.17	1.13
Average daily volume	379,524	326,892

[1] Trading statistics based on closing price

How many common shares and stock options are currently outstanding?

On November 13, 2012, Delphi issued, on a bought deal basis, 17,241,500 common shares at a price of $1.45 per share and 4,571,500 common shares on a flow-through basis at a price of $1.75 per common share for total gross proceeds of $33.0 million.

As at November 13, 2012, including the bought deal referenced above, the Company had 153.0 million common shares outstanding and 11.5 milllion share options outstanding. The share options have an average exercise price of $1.79 per option.

Sources and Uses of Funds

	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2012
Sources:		
Cash and cash equivalents	**-**	**4,017**
Funds from operations	**7,881**	**26,036**
Disposition of petroleum and natural gas properties	**23,045**	**34,619**
Exercise of stock options	**113**	**152**
Change in non-cash working capital	**(3,341)**	**(23,841)**
	27,698	**40,983**
Uses:		
Capital expenditures	**7,516**	**72,190**
Accretion of long term debt	**(36)**	**338**
Finance lease obligation	**102**	**271**
Expenditures on decommissioning	**-**	**413**
	7,582	**73,212**
Change in long term debt	**(20,116)**	**32,229**

Bank Debt plus Working Capital Deficiency (Net Debt)

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

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

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

Delphi generally relies on operating cash flows and its credit facilities to fund capital requirements and provide liquidity. Future liquidity depends primarily on cash flow generated from operations, existing credit facilities and the ability to access debt and equity markets. From time to time, the Company accesses capital markets to meet its additional financing needs and to maintain flexibility in funding its capital programs. While Delphi recently completed a $33.0 million offering on a bought deal basis on November 13, 2012, there can be no assurance that future debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Delphi.

How much bank debt was outstanding on September 30, 2012?

At September 30, 2012, the Company had $79.3 million outstanding in the form of bankers' acceptances, $35.0 million drawn under Canadian-based prime loans and a working capital deficiency of $2.7 million for total net debt of $117.0 million. Net debt is a non-IFRS term. Delphi's calculation of net debt includes long-term debt and the net working capital deficiency (surplus) before the current fair value of financial instruments.

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

The Company's credit facility was renewed by its lenders during the second quarter of 2012. The $145.0 million extendible revolving term credit facility with a syndicate of Canadian chartered banks is subject to the banks' semi-annual valuation of the Company's crude oil and natural gas properties. The facility is a 364 day committed facility available on a revolving basis until May 27, 2013 at which time it may be extended at the lenders' option. If the revolving period is not extended, the undrawn portion of the facility will be cancelled and the amount outstanding will convert to a 365 day non-revolving term facility. The amounts outstanding under the non-revolving facility are required to be repaid at the end of the non-revolving term being May 28, 2014. The non-extension provisions are applicable to the lenders on an individual basis.

A semi-annual review of the Company's $145.0 million extendible revolving term credit facility will be conducted during the fourth quarter of 2012. 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.

Interest payable on amounts drawn under the facility is at the prevailing bankers' acceptance rates plus stamping fees, lenders' prime rate, US 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 cash flow ratio: from a minimum of the bank's prime rate or US base rate plus 1.00 percent to a maximum of the bank's prime rate or US base rate plus 2.50 percent or from a minimum of bankers' acceptances rate plus a stamping fee of 2.00 percent to a maximum of bankers' acceptances rate plus a stamping fee of 3.50 percent.

Under the terms of the credit facility, the Company covenants that it will maintain a working capital ratio of at least one to one. For the purpose of this ratio, the undrawn portion of the credit facility is added to current assets in the working capital calculation. The credit facility is secured by a $200.0 million demand floating charge debenture and a general security agreement over all assets of the Company. Delphi is in compliance with the covenants of its credit facility as at September 30, 2012.

Contractual Obligations

Does the Company have any contractual obligations as at September 30, 2012 that will require funding in future years?

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

The following are the contractual obligations as at September 30, 2012:

	2012	2013	2014	2015	2016
Gathering, processing and transmission	1,160	4,335	3,679	3,611	98
Office and equipment lease	686	2,272	509	509	522
Finance lease	102	1,642	-	-	-
Bank debt	-	-	114,276	-	-
Total	1,948	8,249	118,464	4,120	620

GUARANTEES AND OFF-BALANCE SHEET ARRANGEMENTS

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

Delphi has not entered into any guarantees or off-balance sheet arrangements. Certain lease agreements entered into in the normal course of operations could be considered off-balance sheet arrangements; however, all leases which are considered operating leases are charged to operating expenses or general and administrative expenses on a monthly basis according to the lease. In March of 2012, the Company entered into a lease agreement that is accounted for as a finance lease. As a result of this arrangement, an asset and an obligation have been recorded on the Company's consolidated statement of financial position as at September 30, 2012.

CRITICAL ACCOUNTING ESTIMATES

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

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

The condensed consolidated interim financial statements have been prepared in conformity with 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 future accounting standards which the Company will have to comply with in the future?

During the nine months ended September 30, 2012, there were no revised standards or amendments to IFRS issued. Refer to the Company's December 31, 2011 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 issuer'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 disclosure controls and procedures are effective and provide a reasonable level of assurance that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified.

The Company notes that while it believes the disclosure controls and procedures and internal controls over financial reporting provide a reasonable level of assurance that they are effective, it does not expect that the disclosure controls and procedures and internal controls will prevent all errors and fraud. A control system is designed to provide reasonable, not absolute, assurance that the objectives of the control system are met.

ADDITIONAL INFORMATION

Where is additional information about Delphi available?

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

DELPHI ENERGY CORP.

Condensed Consolidated Statements of Financial Position

(thousands of dollars) (unaudited)	**September 30, 2012**	December 31, 2011
Assets		
Current assets		
Cash and cash equivalents	**-**	4,017
Accounts receivable	**19,499**	18,770
Prepaid expenses and deposits	**2,926**	2,939
Assets held for sale (Note 4)	**1,433**	9,680
Fair value of financial instruments (Note 5)	**-**	546
	23,858	35,952
Fair value of financial instruments (Note 5)	**4,463**	-
Exploration and evaluation (Note 6)	**12,020**	18,699
Property, plant and equipment (Note 7)	**385,657**	392,422
Total assets	**425,998**	447,073
Liabilities		
Current liabilities		
Outstanding cheques	**86**	-
Accounts payable and accrued liabilities	**24,490**	47,451
Liabilities held for sale (Note 4)	**-**	377
Decommissioning obligations	**412**	825
Finance lease obligation (Note 8)	**1,610**	-
Fair value of financial instruments (Note 5)	**8,137**	21
	34,735	48,674
Other liability (Note 10)	**-**	1,334
Long term debt (Note 9)	**114,276**	82,385
Decommissioning obligations	**18,104**	19,288
Fair value of financial instruments	**829**	3,772
Deferred income taxes	**16,295**	23,245
	184,239	178,698
Shareholders' equity		
Share capital (Note 10)	**275,913**	275,682
Contributed surplus	**14,289**	12,500
Deficit	**(48,443)**	(19,807)
Total shareholders' equity	**241,759**	268,375
Total liabilities and shareholders' equity	**425,998**	447,073

Subsequent event (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 and nine months ended September 30

(thousands of dollars, except per share amounts) (unaudited)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Revenue				
Crude oil and natural gas sales	**20,878**	32,194	**66,896**	93,772
Royalties	**(3,128)**	(5,444)	**(11,717)**	(14,484)
	17,750	26,750	**55,179**	79,288
Realized gain on financial instruments	**1,345**	1,449	**3,179**	2,554
Unrealized gain (loss) on financial instruments	**(3,531)**	2,076	**(1,256)**	1,141
	15,564	30,275	**57,102**	82,983
Expenses				
Operating	**5,923**	5,651	**17,856**	16,055
Transportation	**2,259**	2,668	**6,374**	7,149
General and administrative	**1,455**	1,330	**4,531**	4,827
Share-based compensation	**447**	90	**1,157**	587
Loss on property dispositions (note 4 and 7)	**3,498**	741	**2,904**	405
Depletion and depreciation (Note 7)	**12,380**	11,585	**57,198**	33,708
	25,962	22,065	**90,020**	62,731
Finance costs	**1,728**	1,442	**4,003**	4,404
Earnings (loss) before income taxes	**(12,126)**	6,768	**(36,921)**	15,848
Income taxes				
Deferred income taxes (recovery)	**(2,936)**	2,710	**(8,285)**	5,071
Net earnings (loss) and comprehensive earnings (loss)	**(9,190)**	4,058	**(28,636)**	10,777
Net earnings (loss) per share (Note 10)				
Basic and diluted	**(0.07)**	0.03	**(0.22)**	0.09

See accompanying notes to the condensed consolidated interim financial statements.

DELPHI ENERGY CORP.

Condensed Consolidated Statements of Changes in Shareholders' Equity
For the nine months ended September 30

(thousands of dollars) (unaudited)	Nine Months Ended September 30, **2012**	2011
Share capital		
Common shares		
Balance, beginning of period	**275,682**	236,382
Issued for cash on a flow-through basis	**-**	8,160
Issued on exercise of options	**152**	2,424
Transferred on exercise of options	**79**	1,269
Share issue costs, net of tax	**-**	(32)
Balance, end of period	**275,913**	248,203
Contributed surplus		
Balance, beginning of period	**12,500**	11,987
Share-based compensation	**1,868**	1,214
Transferred on exercise of options	**(79)**	(1,269)
Balance, end of period	**14,289**	11,932
Deficit		
Balance, beginning of period	**(19,807)**	(31,409)
Net earnings (loss)	**(28,636)**	10,777
Balance, end of period	**(48,443)**	(20,632)
Total shareholders' equity	**241,759**	239,503

See accompanying notes to the condensed consolidated interim financial statements.

DELPHI ENERGY CORP.

Condensed Consolidated Statements of Cash Flows
For the three and nine months ended September 30,

(thousands of dollars) (unaudited)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Cash flow from (used in) operating activities				
Net earnings (loss)	**(9,190)**	4,058	**(28,636)**	10,777
Add non-cash items:				
Depletion and depreciation	**12,380**	11,585	**57,198**	33,708
Accretion and finance lease charges	**151**	105	**452**	384
Share-based compensation	**447**	90	**1,147**	587
Loss on property dispositions	**3,498**	741	**2,904**	405
Unrealized loss (gain) on financial instruments	**3,531**	(2,076)	**1,256**	(1,141)
Deferred income taxes (recovery)	**(2,936)**	2,710	**(8,285)**	5,071
Accretion of long term debt	**36**	65	**(338)**	(340)
Decommissioning expenditures	**-**	-	**(413)**	-
Change in non-cash working capital (Note 11)	**(1,192)**	3,363	**(3,480)**	1,715
	6,725	20,641	**21,805**	51,166
Cash flow from (used in) financing activities				
Issue of flow-through common shares, net of issue costs	**-**	-	**-**	8,928
Exercise of options	**113**	624	**152**	2,424
Finance lease obligation	**(102)**	-	**(271)**	-
Increase (decrease) in long term debt	**(20,116)**	(9,007)	**32,229**	3,871
	(20,105)	(8,383)	**32,110**	15,223
Cash flow available for investing activities	**(13,380)**	12,258	**53,915**	66,389
Cash flow from (used in) investing activities				
Additions to exploration and evaluation	**(259)**	(1,669)	**(2,031)**	(2,638)
Additions to property, plant and equipment	**(7,257)**	(31,687)	**(70,159)**	(74,557)
Disposition of petroleum and natural gas properties	**23,045**	7,702	**34,619**	8,038
Acquisition of petroleum and natural gas properties	**-**	(130)	**-**	(217)
Change in non-cash working capital (Note 11)	**(2,149)**	17,517	**(20,361)**	8,827
	13,380	(8,267)	**(57,932)**	(60,547)
Increase (decrease) in cash and cash equivalents	**-**	3,991	**(4,017)**	5,842
Cash and cash equivalents, beginning of period	**-**	5,890	**4,017**	4,039
Cash and cash equivalents, end of period	**-**	9,881	**-**	9,881
Cash interest paid	**1,529**	1,127	**3,991**	3,424

See accompanying notes to the condensed consolidated interim financial statements.

1) 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 and nine months ended September 30, 2012 comprise the accounts of the Company, its wholly-owned subsidiary and a partnership.

2) 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, 2011.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on November 13, 2012.

(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, 2011.

3) 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, 2011 with the exception of the following as a result of a new finance lease transaction (note 8):

(a) Finance lease obligation

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

4) ASSETS AND LIABILITIES HELD FOR SALE

Assets	Crude oil and natural gas properties	Production equipment	Total
Balance as at December 31, 2011	9,680	-	9,680
Transfer from property, plant and equipment, net	22,981	1,433	**24,414**
Dispositions	(32,661)	-	**(32,661)**
Balance as at September 30, 2012	**-**	**1,433**	**1,433**

Liabilities	Crude oil and natural gas properties	Production equipment	Total
Balance as at December 31, 2011	377	-	377
Transfer from decommissioning obligations	559	-	**559**
Dispositions	(936)	-	**(936)**
Balance as at September 30, 2012	**-**	**-**	**-**

During the second quarter of 2012, Delphi entered into an agreement to sell its working interests associated with its proved Cardium assets in the Bigstone cash generating unit ("CGU") for net proceeds of $22.4 million. The Company closed the sale on July 24, 2012. In addition to the Cardium assets held for sale, the Company included certain pipe and production equipment as assets held for sale with a carrying value of $1.4 million. In accordance with IFRS 5, "Non-current Assets Held for Sale", the assets held for sale have been recorded at their fair value less costs to sell, resulting in a loss of $1.7 million which is included in loss on property dispositions.

In the fourth quarter of 2011, the Company made the decision to market for disposition, certain non-operated interests in its Hythe cash generating unit. The Company completed the sale on January 16, 2012 for net proceeds of $11.0 million and recognized a gain on the disposition of $1.7 million which is included in loss on property dispositions.

5) 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, 2011.

During the nine months ended September 30, 2012, the Company entered into several commodity price risk management contracts.

Physical Contracts

Time Period	Type of Contract	Quantity Contracted	Price Floor ($/unit)	Price Ceiling ($/unit)
January 2012 – December 2012 [1]	Natural Gas – call option	2,500 GJ/d	-	$4.50 CDN
April 2012 – October 2012	Natural Gas - fixed	1,000 mmbtu/d	$4.96 U.S.	$4.96 U.S.
April 2012 – October 2012	Natural Gas - fixed	2,000 GJ/d	$4.06 CDN	$4.06 CDN
April 2012 – December 2013	Natural Gas - fixed	2,000 mmbtu/d	$3.21 U.S.	$3.21 U.S.
June 2012 – March 2013	Natural Gas - fixed	5,000 GJ/d	$2.45 CDN	$2.45 CDN

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

Financial Contracts

Time Period	Type of Contract	Quantity Contracted	Price Floor ($/unit)	Price Ceiling ($/unit)
January 2012 – December 2012 [(1)]	Natural Gas – call option	3,000 GJ/d	-	$4.50 CDN
March 2012 – December 2012 [(2)]	Natural Gas - fixed	7,500 GJ/d	$2.65 CDN	$2.65 CDN
April 2012 – December 2014	Natural Gas - fixed	6,000 GJ/d	$2.88 CDN	$2.88 CDN
August 2012 – December 2012	Natural Gas - fixed	1,000 GJ/d	$2.55 CDN	$2.55 CDN
August 2012 – December 2012	Natural Gas - fixed	1,000 GJ/d	$2.60 CDN	$2.60 CDN
August 2012 – December 2012	Natural Gas - fixed	1,000 GJ/d	$2.655 CDN	$2.655 CDN
August 2012 – March 2013	Natural Gas - collar	1,000 GJ/d	$2.50 CDN	$2.95 CDN
August 2012 – March 2013	Natural Gas - collar	1,000 GJ/d	$2.50 CDN	$3.04 CDN
August 2012 – March 2013	Natural Gas - collar	1,000 GJ/d	$2.55 CDN	$3.07 CDN
May 2012 – December 2012	Natural Gas Liquid - fixed	200 bbls/d	$39.85 CDN	$39.85 CDN
March 2012 – December 2012 [(2)]	Crude Oil – call option	500 bbls/d	-	$110.00 U.S.
May 2012 – December 2012	Crude Oil - collar	250 bbls/d	$100.00 CDN	$108.25 CDN
May 2012 – December 2012[(3)]	Crude Oil – put option	250 bbls/d	$100.00 CDN	-
January 2014 – December 2014 [(4)]	Crude Oil – call option	600 bbls/d	-	$90.00 U.S.

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

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

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

[(4)] 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.

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.

The fair value of the commodity risk management contracts outstanding as at September 30, 2012 is estimated to be a net liability of approximately $4.5 million. For the nine months ended September 30, 2012, Delphi recognized an unrealized loss on its commodity risk management contracts of $1.3 million. The unrealized loss recognized is the difference between the fair value of the commodity risk management contracts outstanding as at September 30, 2012 and that of December 31, 2011.

6) EXPLORATION AND EVALUATION ASSETS

	Total
Balance as at December 31, 2010	2,787
Additions	15,912
Balance as at December 31, 2011	18,699
Additions	**2,031**
Transfer to oil and gas properties	**(8,710)**
Balance as at September 30, 2012	**12,020**

Exploration and evaluation assets consist of the Company’s exploration projects which are pending the determination of proven and probable reserves. For the nine months ended September 30, 2012, $8.7 million was transferred to property, plant and equipment following the successful discovery of proven and probable reserves.

7) PROPERTY, PLANT AND EQUIPMENT

Cost	Crude oil and natural gas properties	Production equipment	Other assets	Total
Balance as at December 31, 2010	409,087	27,528	621	437,236
Additions	101,943	334	137	102,414
Acquisitions	273	-	-	273
Dispositions	(14,449)	-	-	(14,449)
Reclassification to assets held for sale	(11,826)	-	-	(11,826)
Balance as at December 31, 2011	485,028	27,862	758	513,648
Additions	53,407	19,041	67	**72,515**
Disposition	(7,950)	-	-	**(7,950)**
Reclassification to assets held for sale	(30,293)	(1,731)	-	**(32,024)**
Transfer from exploration and evaluation assets	8,710	-	-	**8,710**
Balance as at September 30, 2012	**508,902**	**45,172**	**825**	**554,899**

Accumulated depletion and depreciation	Crude oil and natural gas properties	Production equipment	Other assets	Total
Balance as at December 31, 2010	(74,066)	(5,583)	(129)	(79,778)
Depletion and depreciation	(44,924)	(494)	(117)	(45,535)
Dispositions	3,441	-	-	3,441
Reclassification to assets held for sale	2,146	-	-	2,146
Impairment losses	(1,212)	(288)	-	(1,500)
Balance as at December 31, 2011	(114,615)	(6,365)	(246)	(121,226)
Depletion and depreciation	(33,332)	(637)	(100)	**(34,069)**
Dispositions	3,250	-	-	**3,250**
Reclassification to assets held for sale	5,932	-	-	**5,932**
Impairment losses	(21,729)	(1,400)	-	**(23,129)**
Balance as at September 30, 2012	**(160,494)**	**(8,402)**	**(346)**	**(169,242)**
Net book value as at September 30, 2012	**348,408**	**36,770**	**479**	**385,657**
Net book value as at December 31, 2011	370,413	21,497	512	392,422

Delphi has included $198.2 million (September 30, 2011: $134.9 million) for future development costs and excluded $3.2 million (September 30, 2011: $3.3 million) for estimated salvage from the depletion calculation for the three months ended September 30, 2012.

In the third quarter of 2012, Delphi disposed of some of its working interests in its North East British Columbia (NEBC) CGU for approximate net proceeds of $0.5 million. A loss on disposition of $3.6 million associated with this disposition is included in the loss on property dispositions for the three and nine months ended September 30, 2012. As a result of the loss on the disposition, an impairment test was carried out for the NEBC CGU using the market metrics associated with the Company's disposition in order to arrive at fair value less costs to sell for the remaining assets in the CGU. An impairment of $2.1 million was recognized and is included in depletion and depreciation expense on the consolidated statement of earnings.

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

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

8) FINANCE LEASE OBLIGATION

The Company entered into an agreement in March 2012 to lease a compressor with a commitment to purchase at the end of the lease term. The lease arrangement has resulted in the recognition of an asset and an obligation. The carrying value of the asset under this finance lease at September 30, 2012 totaled $1.7 million.

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

	Amount
2012	**102**
2013	**1,642**
	1,744
Amount representing implicit interest rate at 20.1%	**(134)**
Finance lease obligation	**1,610**

9) LONG TERM DEBT

	September 30, 2012	December 31, 2011
Prime-based loans	**35,000**	3,000
Bankers' acceptances, net of discount	**79,276**	79,385
Total	**114,276**	82,385

The Company's credit facility was renewed during the second quarter of 2012. The $145.0 million extendible revolving term credit facility with a syndicate of Canadian chartered banks is subject to the banks' semi-annual valuation of the Company's crude oil and natural gas properties. The facility is a 364 day committed facility available on a revolving basis until May 27, 2013 at which time it may be extended at the lenders' option. If the revolving period is not extended, the undrawn portion of the facility will be cancelled and the amount outstanding will convert to a 365 day non-revolving term facility. The amounts outstanding under the non-revolving facility are required to be repaid at the end of the non-revolving term being May 28, 2014. The non-extension provisions are applicable to the lenders on an individual basis.

A semi-annual review of the Company's $145.0 million extendible revolving term credit facility will be conducted during the fourth quarter of 2012. 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.

10) SHARE CAPITAL

(a) Issued and outstanding	**September 30, 2012**		December 31, 2011	
	Outstanding shares (000's)	**Amount**	Outstanding shares (000's)	Amount
Balance, beginning of period	**131,000**	**275,682**	112,825	236,382
Issue of common shares	**-**	**-**	10,005	22,011
Issue of flow-through common shares	**-**	**-**	6,100	14,801
Exercise of stock options	**235**	**152**	2,070	2,575
Allocated from contributed surplus	**-**	**79**	-	1,347
Share issue costs, net of deferred tax effect	**-**	**-**	-	(1,434)
Balance, end of period	**131,235**	**275,913**	131,000	275,682

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

(b) Net earnings (loss) per share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	**2012**	2011
Weighted average common shares - basic	**131,145**	117,660	**131,097**	116,204
Dilutive effect of share options outstanding	**-**	1,576	**-**	2,051
Weighted average common shares - diluted	**131,145**	119,236	**131,097**	118,255

11) SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	**2012**	2011
Source/(use) of cash				
Accounts receivable	**(875)**	(6,432)	**(729)**	(6,051)
Prepaid expenses and deposits	**188**	(70)	**13**	(325)
Outstanding cheques	**(1,248)**	-	**86**	-
Accounts payable and accrued liabilities	**(1,406)**	27,382	**(23,211)**	16,918
Total change in non-cash working capital	**(3,341)**	20,880	**(23,841)**	10,542
Relating to:				
Operating activities	**(1,192)**	3,363	**(3,480)**	1,715
Investing activities	**(2,149)**	17,517	**(20,361)**	8,827
	(3,341)	20,880	**(23,841)**	10,542

12) SUBSEQUENT EVENT

On November 13, 2012, Delphi issued, on a bought deal basis, 17,241,500 common shares at a price of $1.45 per share and 4,571,500 common shares on a flow-through basis at a price of $1.75 per common share for total gross proceeds of $33.0 million. The net proceeds of the offering, estimated to be $31.2 million, will be used to initially reduce outstanding indebtedness and thereafter to fund Delphi's continuing capital program and for general corporate purposes.

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Independent Businessman

David Sandmeyer [2]
Director
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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

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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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