DELPHI ENERGY CORP.

THIRD QUARTER

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

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TSX SYMBOL: DEE

Third Quarter 2016 Highlights

- Produced an average of 8,239 barrels of equivalent per day ("boe/d"), a four percent increase from 7,888 boe/d in the third quarter of 2015 with total liquids increasing 30 percent, over the comparative period, offset by a six percent reduction in natural gas production;
- Increased field condensate production by 39 percent to 1,660 barrels per day ("bbls/d") contributing to a 28 percent increase in overall production at Bigstone Montney from the comparative third quarter of 2015;
- Reduced operating costs per boe by 40 percent to $6.17 per barrel of equivalent ("boe") excluding positive prior period adjustments, down from $10.29 per boe in the third quarter of 2015;
- Increased revenue per boe by 20 percent from the comparative quarter of 2015, prior to realized risk management gains, as a result of increased condensate yields and higher realized pricing with 86 percent of the Company's natural gas sales being shipped on the Alliance pipeline;
- Realized gains of $3.7 million ($4.83 per boe) from risk management contracts compared to $8.3 million ($11.40 per boe) in the comparative quarter of 2015;
- Drilled one gross (0.8 net) well and brought on production two gross (1.8 net) wells. The Company completed two wells and performed a successful re-frac of one of its existing wells;
- Increased operating netbacks prior to realized risk management gains by 109 percent to $12.48 per boe compared to $5.97 per boe during the third quarter of 2015; and
- Generated funds from operations of $9.4 million.

Financial Highlights ($ thousands except per unit amounts)

	Three Months Ended September 30			Nine Months Ended September 30		
	2016	2015	% Change	**2016**	2015	% Change
Crude oil and natural gas sales	**20,331**	16,234	25	**48,589**	61,674	(21)
Realized sales price per boe	**31.65**	33.77	(6)	**31.36**	29.69	6
Funds from operations	**9,403**	10,070	(7)	**21,745**	29,576	(26)
Per boe	**12.41**	13.89	(11)	**10.61**	11.19	(5)
Per share – Basic and Diluted	**0.06**	0.06	-	**0.14**	0.19	(26)
Net earnings (loss)	**(2,274)**	10,670	(121)	**(15,653)**	(19,441)	(19)
Per boe	**(3.00)**	14.70	(120)	**(7.64)**	(7.35)	4
Per share – Basic and Diluted	**(0.01)**	0.07	(114)	**(0.10)**	(0.13)	(23)
Capital invested	**15,364**	20,951	(27)	**31,836**	41,267	(23)
Disposition of properties	**-**	(43,397)	(100)	**(4,583)**	(53,866)	(91)
Total net capital invested	**15,364**	(22,446)	(168)	**27,253**	(12,599)	(316)

Operational Highlights

Production	Three Months Ended September 30 2016	2015	% Change	Nine Months Ended September 30 2016	2015	% Change
Field condensate (bbls/d)	**1,660**	1,192	39	**1,472**	1,383	6
Natural gas liquids (bbls/d)	**1,251**	1,045	20	**1,203**	1,439	(16)
Crude oil (bbls/d)	**7**	6	17	**6**	34	(82)
Total liquids (bbls/d)	**2,918**	2,243	30	**2,681**	2,856	(6)
Natural gas (mcf/d)	**31,923**	33,871	(6)	**28,799**	40,998	(30)
Total (boe/d)	**8,239**	7,888	4	**7,481**	9,689	(23)

	September 30, 2016	December 31, 2015	% Change
Net debt [(1)]	**124,393**	121,664	2
Total assets	**341,648**	360,842	(5)
Shares outstanding (000's)			
Basic	**155,510**	155,510	-
Diluted	**182,152**	169,951	7

(1) *Defined as the sum of bank debt, senior secured notes and subordinated debt plus (minus) the working capital deficit (surplus) excluding the current portion of the fair value of the financial instruments. The senior secured notes are included in net debt at their carrying value of $52.5 million from the statement of financial position versus the amount of notes outstanding of $60.0 million.*

MESSAGE TO SHAREHOLDERS

The Company continues to successfully pursue its development plan at Bigstone Montney with a focused effort on growing operating margins and improving capital efficiencies by driving higher liquids yields and reducing its capital and operating costs. The Company has managed its capital structure over the past four years with minimal dilution to its equity holders and reduced its net debt by 31 percent over the past 18 months. Through this early stage of innovation and economic optimization of the project, in this part of the commodity price cycle, it is important to note the Company has consumed only a small fraction of the significant drilling inventory identified on the 138 gross sections.

This focused effort in creating shareholder value will be more fully recognized as the rate of capitalization and production growth accelerates through 2017 and 2018. The Company recently entered into a non-binding Letter of Intent with an existing working interest industry partner ("the Partner") to complete a transaction (the "Transaction") that will accelerate development at Bigstone Montney under a joint drilling program. It is expected that the Transaction will enhance the Company's financial flexibility and significantly revalue the overall Bigstone Montney asset.

Production volumes for the third quarter of 2016 averaged 8,239 boe/d, up four percent or 351 boe/d over the comparative quarter of 2015. Field condensate volume growth represented 133 percent of the overall production growth in the third quarter of 2016, increasing by 468 bbls/d or 39 percent to 1,660 bbls/d. Bigstone Montney production in the third quarter of 2016 averaged approximately 7,099 boe/d, up 28 percent from the comparative quarter of 2015. The continued growth of the higher yield Bigstone Montney production mix is effectively replacing a lower valued production base. The Company's last five wells have demonstrated increased condensate yields 70 percent higher than the previous 19 wells on an IP90 production basis yielding an average of 144 barrels per million cubic feet ("bbls/mmcf") of field condensate compared to 85 bbls/mmcf.

Delphi's field condensate weighting as a percentage of third quarter of 2016 production volumes increased to 20 percent, up 33 percent, from 15 percent in the comparative quarter of 2015. The Company`s Bigstone Montney field condensate and natural gas liquids yield was 105 bbls/mmcf in the third quarter of 2016, up from 92 bbls/mmcf in the third quarter of 2015, an increase of 14 percent. Field and plant condensate yield averaged 67 bbls/mmcf or 64 percent of the total 105 bbls/mmcf.

The Company increased its revenue during the third quarter by 25 percent to $20.3 million, compared to $16.3 million in the comparative quarter of 2015. Revenue per boe increased by 20 percent from the comparative quarter of 2015, prior to realized risk management gains, as a result of increased condensate yields and higher realized natural gas pricing, with 86 percent of the Company's natural gas sales being shipped on the Alliance pipeline.

Delphi's commodity price risk management program continues to be an integral part of its financial strategy to protect funds from operations during periods of price volatility. The Company received $58.34 per barrel for its oil and condensate production in the third quarter of 2016, including a realized risk management gain of $8.56 per barrel for maturing contracts

in the period. Delphi's realized natural gas price for the second quarter of 2016 was $4.36 per mcf, an increase of 14 percent from the comparative period of 2015. The Company's realized natural gas price was positively influenced by its risk management program and includes a realized gain of $0.76 per mcf for maturing contracts in the period.

Delphi's royalties during the third quarter of 2016 of $3.14 per boe consisted of $0.35 per boe (11 percent) for Crown royalties and $2.79 per boe (89 percent) for gross overriding royalties ("GORR's). The production encumbered with GORR's will decrease over time as the new wells brought on-stream will not be encumbered by a GORR but rather subject to Crown royalties only.

Operating costs per boe have decreased by 40 percent in comparison to the same quarter in 2015, excluding prior period adjustments, primarily due to a 28 percent reduction in Bigstone Montney operating costs and the Wapiti and Hythe dispositions undertaken in the second half of 2015. The 69 percent increase in transportation costs is primarily related to the commencement of the Company's full path firm service with the Alliance pipeline system on December 1, 2015. The higher transportation costs are offset by higher realized natural gas prices in the Chicago market.

The Company generated a field operating netback of $17.31 per boe in the third quarter of 2016, including risk management gains, unchanged from the comparative quarter of 2015. Excluding risk management gains, the field operating netback in the third quarter of 2016 increased by 109 percent.

Funds from operations in the third quarter of 2016 were $9.4 million or $0.06 per basic and diluted share, compared to $10.1 million or $0.06 per basic and diluted share in the comparative quarter of 2015.

During the third quarter of 2016, Delphi had a net capital expenditure program of $15.4 million, primarily related to the drilling of one gross (0.8 net) wells and the completion of two gross (1.8 net) wells and the re-frac of one of the Company's initial gelled oil frac wells. During the quarter, drilling and completion operations were delayed due to wet weather conditions making it difficult to mobilize equipment to well locations. During the first nine months of 2016, Delphi has invested $31.8 million of capital expenditures, primarily on drilling and completions. Delphi has drilled three gross (2.4 net) wells and performed completion activities on four gross (3.3 net) wells in its Bigstone Montney area. In addition to drilling and completion operations, Delphi installed a compressor at the Company's 7-11 Bigstone Montney facility and an additional fuel gas pipeline in the greater Bigstone area. The installation of the compressor at the 7-11 has eliminated the rental cost of two compressors and the fuel gas pipeline is delivering higher quality fuel gas that is consumed at the Company's Bigstone Montney facilities, which is reducing maintenance on the facilities included in operating costs. In the first quarter of 2016, Delphi received proceeds of $4.6 million in exchange for a gross overriding royalty on the two gross wells completed during the first quarter of 2016, as part of its last five well gross overriding royalty arrangement.

At September 30, 2016, the Company had $59.8 million outstanding in the form of bankers` acceptances on its senior credit facility and a working capital deficit of $12.1 million. The Company was in compliance with all covenants of the credit facilities. The carrying value of Delphi's senior secured notes at September 30, 2016 on the statement of financial position was $52.5 million. As a result, the Company had net debt outstanding at September 30, 2016 of $124.4 million. For accounting purposes, over the five year term of the senior secured notes, the carrying value of the senior secured notes will accrete up to the $60.0 million amount due upon maturity.

Operations Update

The Company concluded drilling operations on its fourth well of the 2016 capital program at 16-09-60-23W5 ("16-09") (82.5 percent working interest) in late October. The well was drilled to a total depth of 6,034 metres. The well was drilled in 30 days with a horizontal lateral in the Montney of 2,855 metres. A 40-stage frac completion liner was installed with fracturing operations scheduled to commence later this month. Sand concentrations per horizontal metre are planned to be 23 percent higher than any other Bigstone Montney well to date. 16-09 is expected to be brought on production in early December.

Delphi has commenced drilling its fifth well of the 2016 capital program with a spud in late October at 14-21-60-23W5 ("14-21") (66.3 percent working interest). 14-21 is a follow-up location to the Company's offsetting 13-21-60-23W5 well ("13-21") that was brought on production in March 2016. 13-21 continues to outperform Delphi's expectations as production over the first 180 days has averaged 962 boe/d with a field condensate to gas ratio over this time period of 166 bbl/mmcf of sales gas. This ratio is 65 percent higher than the next highest Bigstone Montney well, which was at the 15-21-60-23W5 well, only 800 metres to the east of 13-21. Results from the Company's third generation frac design continue to evolve and impress.

Initial production performance of Delphi's third well of the 2016 capital program at 14-11-60-23W5 ("14-11") (75 percent working interest) is revealing some of the performance enhancements the third generation frac design has on Bigstone Montney. Production over the first 30 days averaged 1,212 boe/d with a field condensate to gas ratio of 106 bbl/mmcf. 14-11 is a direct offset to the Company's 5-2-60-23W5 ("5-2") well, which was completed with the first generation frac design. Over the first 30 days on production, 5-2 had an average field condensate to gas ratio of 43 bbl/mmcf sales gas. Sand

concentrations per horizontal metre of the 14-11 well were 14 percent higher than the next highest well. Initial gas decline of the 14-11 well appears to be among the shallowest of the Bigstone Montney wells the Company has drilled to date. Delphi remains encouraged by the evolution of its frac design and continues to advance the recipe with the planned 16-09 frac in the coming weeks. The combination of new development moving further to the west on the Company's Bigstone Montney property along with Delphi's third generation frac design has also made a marked improvement on field condensate to gas rate yields.

Marketing and Risk Management

On December 1, 2015, Delphi began delivering approximately 90 percent of its natural gas production on its Alliance full path firm service capacity into the Chicago market. Well in advance of commencement of these deliveries, the Company continued execution of its successful risk management strategy to protect its revenue stream into the Chicago market through NYMEX, Chicago basis and Cdn/US foreign exchange rate contracts. As a result, the Company is protected through the remainder of 2016 with approximately 75 percent of its natural gas production hedged at an average price of Cdn. $4.54 per mcf (excluding transportation costs). For 2017, the Company has approximately 63 percent of its natural gas production contracted at an average price of Cdn $4.22 per mcf (excluding transportation costs). Delphi also has approximately 49 percent of its condensate volumes contracted at a floor price of $66.67 per barrel. The table below summarizes the Company's current commodity price risk management contracts for the remainder of 2016 and future years.

Natural Gas (Cdn)	Oct – Dec 2016	Jan – Mar 2017	Apr – Dec 2017		
Volume (mmcf/d)	2.4	2.4	2.4		
% Hedged (1)	7%	7%	7%		
Hedge Price (Cdn $/mcf) (2)	$3.89	$3.96	$3.96		
Strip Price (Cdn $/mcf) (6)	$2.51	$2.52	$2.46		
Natural Gas (US)	Oct – Dec 2016	Jan – Mar 2017	Apr – Dec 2017	2018	2019
Volume (mmbtu/d)	22.6	21.8	17.0	10.0	7.0
% Hedged (1)	68%	66%	52%	30%	21%
Hedge Price (US $/mmbtu)	$3.61	$3.24	$3.20	$2.87	$2.92
Strip Price (US $/mmbtu) (6)	$2.63	$2.84	$2.92	$2.90	$2.88
% Hedged in Cdn $ (3)	100%	100%	100%	100%	100%
Hedge Price (Cdn $/mmbtu) (4)	$4.61	$4.31	$4.24	$3.77	$3.89
Crude Oil	Oct – Dec 2016	Jan – Mar 2017	Apr – Dec 2017	2018	2019
Volume (bbls/d)	900	900	900	300	300
% Hedged (1)	49%	49%	49%	16%	16%
Floor Price (WTI Cdn $/bbl)	$76.44	$66.67	$66.67	$70.00	$70.00
Ceiling Price (WTI Cdn $/bbl) (5)	$85.00	$66.67	$66.67	$70.00	$70.00
Strip Price (WTI Cdn $/bbl) (6)	$59.90	$62.77	$65.72	$67.82	$69.23

(1) Percent hedged is based on expected 2H 2016 average natural gas production of approximately 33 mmcf/d and 1,850 bbls/d of condensate and C5+
(2) Before deduction of transportation costs to ship production to AECO on the TCPL pipeline
(3) Percent of US $ hedge value locked in with Cdn/US FX hedges
(4) Before deduction of transportation costs to ship production to Chicago on the Alliance pipeline
(5) 400 bbls/d have upside to a ceiling price of $85.00 per barrel at a deferred cost of $4.02 per barrel
(6) Strip pricing as of November 8, 2016

The Transaction

Pursuant to the aforementioned Transaction, Delphi will assign to the Partner certain working interests, to varying degrees, in the Bigstone Montney assets including interests in partially developed and undeveloped lands (the "Landbase"), production and infrastructure. The execution of a definitive agreement is anticipated by November 30, 2016. The Transaction, which is subject to customary post-closing adjustments, is expected to close on or about December 22, 2016. Delphi will retain operatorship of the Montney capital program, production and facilities.

Transaction consideration is comprised of:

- **Joint Drilling Program**. Delphi and the Partner will undertake a $40 million (gross) joint drilling program, to be completed before July 15, 2017, of which Delphi will contribute $6 million while retaining a 65 percent working interest, in approximately five to six wells to be drilled at Bigstone Montney. The Partner will contribute $20 million in capital, along with its 35 percent working interest share for $14 million.

- **Cash**. In addition to the above drilling capital contribution, Delphi will receive $30 million in cash at closing as equalization consideration.

Transaction Assets

- 450 boe per day (approximately 5 percent of corporate productive capability).
- Total proved reserves of 2.8 million boe (approximately 12 percent of corporate) and associated future development capital of $24.1 million (before escalation) based on the year end 2015 reserve report prepared for Delphi by GLJ Petroleum Consultants Ltd. dated February 22, 2016 and effective December 31, 2015.
- Total proved plus probable reserves of 7.3 million boe (approximately 16 percent of corporate) and associated future development capital of $59.3 million (before escalation) based on the year end 2015 reserve report prepared for Delphi by GLJ Petroleum Consultants Ltd. dated February 22, 2016 and effective December 31, 2015.
- The Partner will receive a 35 percent working interest in Delphi's 100 percent-owned sour processing infrastructure.
- Delphi will assign various working interests in its Landbase at Bigstone Montney to the Partner, with the intent on closing, that Delphi will hold 65 percent of the combined interests and the Partner will hold 35 percent of the combined interests;
    - Delphi will assign a total of 25.4 net undeveloped sections to the Partner; and
    - Delphi will receive a total of 2.25 net undeveloped sections from the Partner.

Guidance

Delphi has put its 2016 guidance under review due to the potential impact of the Transaction. The 2017 full year guidance is anticipated to be released following the successful closing of the Transaction.

Outlook

The Company continues to manage its development plans in the context of its cash generating capability. Economic returns on the new capital deployed remain very attractive as a result of the improving cash generating efficiencies from superior Chicago-based natural gas pricing, increased condensate yields, a lower cost structure and a successful long term risk management program. Throughout the recent commodity price environment, the Company's cash netbacks have remained relatively stable providing a predictable cash flow source for re-investment without increasing debt levels. Favorable recycle ratios in excess of 1.4 times continue to be generated as a result of the strong realized netbacks combined with efficient 2015 Bigstone Montney proved producing finding and development costs of $10.12 per boe.

Continued innovation of our well design, driving costs lower, while maintaining operatorship and control of our infrastructure are key in maintaining our top decile capital and cash generating efficiencies. Generating margin growth continues to yield positive results. The most recent five wells are exhibiting condensate yields that are averaging 70 percent higher than the previous wells, driving corporate yields higher over time. Bigstone Montney operating costs are down approximately 28 percent. In addition, the new wells are unencumbered from our previous GORR arrangements. These targeted improvements on the new wells have the impact of increasing revenue per boe by 20 to 25 percent and field operating netbacks by 40 to 50 percent. The Company's significant risk management position through 2019 ensures economic returns of the new wells drilled in a volatile commodity price environment, protecting both the equity account and the balance sheet. Delphi's significant drilling inventory is immediately accessible to deliver production growth into a less volatile commodity price environment.

Delphi's pace of drilling is expected to increase two to three-fold throughout 2017 compared to 2016 activity levels with up to 14 gross new wells planned. With a second rig expected to be in the field for the winter drilling program, the Company expects to drill up to eight gross wells this winter with approximately five to six of the new wells funded through the Transaction. The remaining wells will be funded within cash flow. The majority of these newly drilled Joint Venture wells would be expected to come on production in the second half of 2017.

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

On behalf of the Board,

David J. Reid,
President and Chief Executive Officer
November 8, 2016

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, 2016 and 2015 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, 2016 and 2015 and the audited consolidated financial statements and accompanying notes for the years ended December 31, 2015 and 2014 and the related MD&A. The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The reporting currency is the Canadian dollar. The discussion and analysis has been prepared as of November 8, 2016.

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.

Management uses certain measures that are not recognized under IFRS to help evaluate the performance of the Company. The following are terms and definitions contained within this MD&A that are not recognized measures under IFRS:

Funds from operations - cash flow from operating activities before accretion on long term and subordinated debt, decommissioning expenditures and changes in non-cash working capital from operating activities. 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. 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 (loss) or other measures of financial performance calculated in accordance with IFRS.

Funds from operations per share - funds from operations divided by the number of common shares outstanding calculated using weighted average shares outstanding consistent with the calculation of earnings (loss) per share.

Adjusted working capital ratio – current assets include the undrawn portion of the senior credit facility and exclude the current portion of the fair value of financial instruments. Current liabilities exclude the current portion of bank debt, senior secured notes and subordinated debt and the current portion of the fair value of financial instruments. This ratio is used to calculate the Company's compliance with its working capital ratio covenant.

Net debt to funds from operations ratio - net debt is defined as total debt plus (minus) the working capital deficit (surplus) excluding the current portion of the fair value of financial instruments. Funds from operations is defined as cash flow from operating activities before accretion of long term and subordinated debt, decommissioning expenditures and changes in non-cash working capital from operating activities. Delphi's most recently completed quarter's funds from operations is annualized (multiplied by four) for the calculation of this ratio. This ratio is used to calculate the Company's compliance with its net debt to funds from operations ratio covenant.

Total debt – the sum of bank debt, senior secured notes and subordinated debt. This amount is used in management's calculation of net debt.

Net debt – the sum of total debt plus (minus) the working capital deficit (surplus) excluding the current portion of the fair value of the financial instruments. Net debt is used by management to monitor the remaining availability under its credit facilities.

Interest coverage ratio – funds from operations plus interest charges divided by interest plus financing charges.

Management considers netbacks as an important measure of the cash generating capability of the produced volumes. Netbacks are generally discussed and presented on a per boe basis.

Operating netbacks – crude oil and natural gas sales plus realized gains (losses) on financial instruments less royalties, operating and transportation costs. Management considers operating netbacks per boe an important measure of profitability relative to current commodity prices and costs of production.

Cash netbacks - operating netbacks less interest on total debt, general and administrative costs and cash costs related to the Company's restricted share units. Management considers cash netbacks per boe an important measure as it demonstrates the cash realized on each unit of production to be reinvested in future capital investment or repay debt.

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 core area of operations is located at Bigstone in the Deep Basin of northwest Alberta.

THIRD QUARTER 2016 HIGHLIGHTS

What were the highlights of Delphi's operational and financial results for the third quarter of 2016?

In the third quarter of 2016, the Company achieved the following:

- Produced an average of 8,239 barrels of equivalent per day ("boe/d"), a four percent increase from 7,888 boe/d in the third quarter of 2015 with total liquids increasing 30 percent, over the comparative period, offset by a six percent reduction in natural gas production;

- Increased field condensate production by 39 percent to 1,660 barrels per day ("bbls/d") contributing to a 28 percent increase in overall production at Bigstone Montney from the comparative third quarter of 2015;

- Reduced operating costs per boe by 40 percent to $6.17 per barrel of equivalent ("boe") excluding positive prior period adjustments, down from $10.29 per boe in the third quarter of 2015;

- Increased revenue per boe by 20 percent from the comparative quarter of 2015, prior to realized risk management gains as a result of increased condensate yields and higher realized pricing with 86 percent of the Company's natural gas sales being shipped on the Alliance pipeline;

- Realized gains of $3.7 million ($4.83 per boe) from risk management contracts compared to $8.3 million ($11.40 per boe) in the comparative quarter of 2015;

- Drilled one gross (0.8 net) well and brought on production two gross (1.8 net) wells. The Company completed two wells and performed a successful re-frac of one of its existing wells;

- Increased operating netbacks prior to realized risk management gains by 109 percent to $12.48 per boe compared to $5.97 per boe during the third quarter of 2015; and

- Generated funds from operations of $9.4 million.

Funds from operations in the third quarter of 2016 were $9.4 million or $0.06 per basic and diluted share, compared to $10.1 million or $0.06 per basic and diluted share in the comparative quarter of 2015. The decrease in funds from operations in the third quarter of 2016 as compared to the same quarter in 2015 is primarily due to lower realized gains on risk management contracts, lower benchmark commodity prices for crude oil affecting the Company's field condensate and natural gas liquids pricing, higher gross overriding royalties and interest expense offset by higher overall production, higher realized natural gas pricing and lower operating costs.

THIRD QUARTER 2016 OPERATIONAL AND FINANCIAL RESULTS

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Funds

	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2016
Sources:		
Cash and cash equivalents	**-**	**2,000**
Funds from operations	**9,403**	**21,745**
Disposition of properties	**-**	**4,583**
Issue of senior secured notes	**-**	**55,537**
Warrants issued with senior secured notes	**-**	**4,463**
Accretion of subordinated debt and senior credit facility	**3,485**	**2,827**
Changes in non-cash working capital	**7,548**	**-**
	20,436	**91,155**
Uses:		
Cash and cash equivalents	**332**	**-**
Capital expenditures	**15,364**	**31,836**
Repayment of subordinated debt	**-**	**14,210**
Expenditures on decommissioning	**156**	**1,156**
Issue costs of senior secured notes and warrants	**59**	**3,719**
Changes in non-cash working capital	**-**	**3,019**
	15,911	**53,940**
Change in bank debt	**(4,525)**	**(37,215)**

Net Debt

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

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

Liquidity risk is the risk that Delphi will not be able to meet its financial obligations as they become due. The Company's financial liabilities arise through the cost of operations and the capital program in order to maintain or increase production and develop reserves, the acquisition of crude oil and natural gas assets, financial instrument contracts and borrowings under the Company's credit facilities.

Delphi actively manages its liquidity through daily, short term and long term cash, debt and equity management strategies. Such strategies encompass, among other factors: having adequate sources of financing available through its credit facilities, forecasting future cash generated from operations based on reasonable production and pricing assumptions, monitoring economic risk management opportunities and maintaining sufficient cash flows for compliance with financial debt covenants.

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

Delphi's results are affected by external market and risk factors, such as fluctuations in the prices of crude oil and natural gas, movements in foreign currency exchange rates and inflationary (deflationary) pressures on service costs. Volatility in crude oil and natural gas prices has resulted in a challenging environment for the energy sector. In response to this volatility and to preserve financial flexibility, Delphi will continue to monitor commodity prices and service cost reductions as it

manages its capital program, accordingly. In addition, Delphi has an active commodity price risk management program in order to reduce its exposure to fluctuations in commodity prices and protect its future cash flows.

How much debt was outstanding on September 30, 2016?

At September 30, 2016, the Company had $59.8 million outstanding in the form of bankers' acceptances, $52.5 million in senior secured notes and a working capital deficit of $12.1 million for net debt of $124.4 million.

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

Senior Credit Facility

During the second quarter of 2016, Delphi's lenders completed their annual review of the Company's senior credit facilities. The review of the borrowing base of the facility incorporated Delphi's risk management program, success of the development of the Company's Montney assets and the lenders' view of future commodity prices. As a result of low commodity prices, Delphi's senior credit facility was redetermined at $85.0 million, consisting of a $10.0 million operating facility and a $75.0 million revolving facility. During the third quarter, the maturity date of the senior credit facility was extended from October 1, 2017 to January 15, 2018. In conjunction with the redetermination of the borrowing facility, Delphi issued $60.0 million of senior secured notes on June 15, 2016 and applied the proceeds from the senior secured notes issue against its senior and subordinated credit facilities.

The Company's senior extendible revolving term credit facility with a syndicate of Canadian chartered banks is subject to the banks' semi-annual review of the Company's crude oil and natural gas properties. The facility is a 364 day committed facility available on a revolving basis until September 30, 2017 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 would be required to be repaid at the end of the non-revolving term being January 15, 2018. The non-extension provisions are applicable to the lenders on an individual basis.

Interest payable on amounts drawn under the facility is at the prevailing bankers' acceptance rates plus stamping fees, lenders' prime rate or U.S. base rate plus the applicable margins, depending on the form of borrowing by the Company. The applicable margins and stamping fees are based on a sliding scale pricing grid tied to the Company's trailing net debt to annualized quarterly funds from operations ratio: from a minimum of the bank's prime rate or U.S. base rate plus 1.00 percent to a maximum of the bank's prime rate or U.S. base rate plus 3.00 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 4.00 percent.

The syndicated credit facility is secured by a $300.0 million demand floating charge debenture and a general security agreement over all assets of the Company.

The next semi-annual review of the Company's $85.0 million extendible revolving term credit facility will be conducted in the fourth quarter of 2016. The borrowing base of the facilities will be based on the lender's evaluation of the Company's petroleum and natural gas reserves at the time and their commodity price outlook. The review of the borrowing base could result in a reduction to the credit facility, which may require repayment to the lenders.

Senior Secured Notes

On June 15, 2016, Delphi issued $60.0 million of 10 percent senior secured notes with attached warrants. The Company issued 60 thousand units with each unit consisting of a $1,000 note and 245 warrants. The senior secured notes mature on July 15, 2021. Interest is payable quarterly to the holders of record on the immediately preceding April 1, July 1, October 1 and January 1. The senior secured notes are redeemable at the Company's option, in whole or in part, commencing June 15, 2018 at the following specified redemption prices (expressed as a percentage of the principal amount): 2018 at 107.5 percent, 2019 at 105.0 percent and 2020 and thereafter at 100.0 percent. Prior to June 15, 2018, Delphi has the option to redeem up to 50 percent of the senior secured notes at a redemption price of 110.0 percent plus accrued interest with an amount of cash not greater than the net cash proceeds of certain equity offerings.

The senior secured notes are secured on a second-priority basis by substantially all of the Company's assets and are subordinate to indebtedness under the senior credit facility.

The senior secured notes are presented net of debt issue costs of $3.4 million and will be accreted at an effective interest rate of 12.8 percent such that the carrying amount of the senior secured notes will equal the principal amount of $60.0 million at maturity. The senior secured notes were initially recognized at fair value based on similar debt securities without the warrant feature, net of debt issue costs and subsequently are carried at amortized cost. The principal amount of the senior secured notes less the initial fair value has been allocated to the warrants.

Subordinated Debt

On June 15, 2016, the subordinated debt balance of $14.2 million was repaid with a portion of the proceeds from the senior secured notes.

Covenants

The senior credit facility is subject to the following financial covenant:

Financial covenant [1]	Requirement	As at September 30, 2016
Adjusted working capital ratio	≥ 1.0	1.2

[1] The financial covenant calculation refers to measures that are non-IFRS. Please see the definitions of non-IFRS measures at the beginning of this MD&A.

Delphi's calculation of its adjusted working capital ratio is as follows:

Adjusted working capital ratio	As at September 30, 2016
Current assets	18,187
Exclusion of the current fair value of financial instruments	(3,563)
Undrawn portion of senior credit facility	18,661
	33,285
Current liabilities	27,089
Exclusion of the current fair value of financial instruments	(417)
	26,672
Adjusted working capital ratio	1.2

The senior secured notes have no financial covenants but have an incurrence covenant in place that limits the Company's ability to among other things (subject to certain exceptions, limitations and qualifications); to make certain restricted payments and investments; incur additional debt; create liens; restrict dividends or other payments; consolidate, merge, sell, or otherwise dispose of all or substantially all of its assets and enter into certain transactions with affiliates.

The senior secured notes contain an incurrence covenant for an interest coverage ratio. The requirement is an interest coverage ratio of not less than 2.0 to 1.0 determined on a 12 month rolling basis.

Interest coverage ratio	Twelve Months Ended September 30, 2016	Year Ended December 31, 2015
Funds from operations	35,062	42,893
Interest charges	7,650	7,519
	42,712	50,412
Interest charges	7,650	7,519
Financing charges	829	507
	8,479	8,026
Interest coverage ratio	5.0	6.3

Share Capital

How many common shares, stock options and warrants are currently outstanding?

As at November 8, 2016, the Company had 155.5 million common shares outstanding, 10.7 million share options and 14.7 million warrants outstanding. The share options have an average exercise price of $1.58 per option and the warrants have an exercise price of $1.40 per warrant.

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

The common shares of Delphi trade on the TSX under the symbol DEE. The following table summarizes outstanding share data for the three and nine months ended September 30, 2016:

	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2016
Weighted Average Common Shares (in thousands)		
Basic	**155,510**	**155,510**
Diluted	**155,510**	**155,510**
Trading Statistics [1]		
High	**1.09**	**1.25**
Low	**0.89**	**0.68**
Average daily volume	**224,085**	**251,728**

[1] Trading statistics based on closing price

BUSINESS ENVIRONMENT

What external factors of the business environment did the Company have to contend with in the third quarter of 2016?

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		
	2016	2015	% Change	**2016**	2015	% Change
Natural Gas						
NYMEX (US $/mmbtu)	**2.81**	2.74	3	**2.27**	2.76	(18)
Chicago City Gate (US $/mmbtu)	**2.76**	2.83	(2)	**2.32**	2.98	(22)
AECO (CDN $/mcf)	**2.32**	2.90	(20)	**1.85**	2.77	(33)
Crude Oil						
West Texas Intermediate (US $/bbl)	**44.93**	46.44	(3)	**41.40**	50.98	(19)
Edmonton Light (CDN $/bbl)	**54.80**	56.24	(3)	**50.16**	58.52	(14)
Foreign Exchange						
Canadian to U.S. dollar	**0.77**	0.76	1	**0.76**	0.79	(4)
U.S. to Canadian dollar	**1.31**	1.31	(1)	**1.32**	1.26	5

Natural Gas

Commencing December 1, 2015, Delphi began shipping a majority of its natural gas production through the Alliance pipeline system into the Chicago market.

The Chicago City Gate benchmark natural gas price for the three months ended September 30, 2016 decreased two percent in comparison to the same period in 2015. For the nine months ended September 30, 2016, the Chicago City Gate benchmark natural gas price decreased 22 percent in comparison to the same period in 2015.

Natural gas storage levels have increased in comparison to the prior year and the five year average, due to continued strong production levels of natural gas coupled with insufficient demand for the incremental natural gas production volumes from a warmer than normal winter creating a supply/demand imbalance. This imbalance has caused the price for natural gas to decrease in the first nine months of 2016 in comparison to the same periods for 2015. Natural gas prices strengthened in the third quarter of 2016 compared to the second quarter as a result of higher demand for natural gas for electricity generation, growing exports to Mexico and lower than normal inventory builds.

Natural Gas Liquids

Natural gas liquids include ethane, propane, butane, pentanes and plant condensate and are generally priced off light oil and natural gas prices. Ethane prices are correlated to natural gas prices while propane and butane prices trade at a discount to light oil prices depending on supply/demand conditions. Due to an oversupply of propane and ethane in North America, the prices for propane and ethane were significantly lower in 2015 and 2016 as compared to 2014 with 2016 prices improving slightly as compared to 2015. Demand for condensate in Alberta, as a diluent for transporting heavy oil, results in benchmark condensate prices at Edmonton generally trading at a premium to Canadian light oil prices.

Crude Oil

West Texas Intermediate ("WTI") averaged U.S. $44.93 per barrel in the third quarter of 2016, a decrease of three percent in comparison to the same period in 2015. WTI averaged U.S. $41.40 per barrel for the nine months ended September 30, 2016, a decrease of 19 percent in comparison to the same period in 2015. Canadian prices experienced a narrowing basis differential as well as a decline in the Canadian to U.S. dollar exchange rate. Edmonton Light averaged $54.80 per barrel in the third quarter of 2016, down three percent compared to the same period in 2015. For the nine months ended September 30, 2016, Edmonton Light averaged $50.16 per barrel, down 14 percent compared to the same period in 2015.

In the third quarter of 2016, the average WTI and Canadian benchmark prices decreased slightly from the second quarter of 2016 due to renewed oversupply concerns. Although the benchmark prices strengthened in the second and third quarter of 2016, crude oil prices remained lower than 2015 due to a net continuing oversupply position.

Canadian/United States Exchange Rate

The value of the Canadian dollar against its U.S. counterpart averaged $0.77 for the three months ended September 30, 2016 and $0.76 for the nine months ended September 30, 2016, a one percent increase from the third quarter of 2015 and four percent decrease in comparison to the first three quarters of 2015, respectively. As a producer of crude oil and natural gas sold in the United States, a decline in the Canadian dollar has a positive effect on the prices received for production.

DRILLING OPERATIONS

How active was Delphi in its drilling program in the third quarter of 2016?

Delphi has funded its 2016 net capital spending plans largely from internally generated funds from operations. In the third quarter of 2016, Delphi drilled 1 gross (0.8 net) and brought on production 2 gross (1.8 net) wells and began drilling its fourth (0.8 net) Montney well of the 2016 program at Bigstone. The Company also completed a successful re-frac of one of its existing wells in the Bigstone area.

	Nine Months Ended September 30, 2016	
	Gross	**Net**
Liquids-rich natural gas	**3.0**	**2.4**
Success rate (%)	**100**	**100**

CAPITAL INVESTED

How much capital was invested by the Company in the third quarter of 2016 and where were the capital expenditures incurred?

During the third quarter of 2016, Delphi had capital investments of $15.4 million directed primarily towards drilling and completions. Delphi drilled one gross (0.8 net) well at Bigstone and began to drill the fourth well of the 2016 capital program along the western edge of the Company's current Montney development at Bigstone. Delphi also completed two gross (1.8 net) wells and a successful re-frac of one of its first horizontal Montney wells drilled in late 2011 at Bigstone.

During the first nine months of 2016, Delphi invested $31.8 million of capital expenditures primarily on drilling and completions. Delphi drilled three gross (2.4 net) wells and performed completion activities on four gross (3.3 net) wells in its Bigstone area. In addition to drilling and completion operations, Delphi installed a compressor at the Company's 7-11 Montney facility and an additional fuel gas pipeline at Bigstone. The installation of the compressor at the 7-11 facility has eliminated the rental cost of two compressors and the fuel gas pipeline is delivering higher quality fuel gas that is consumed at the Company's Montney facilities which has reduced maintenance costs on the facilities, included in operating costs.

In the nine months of 2016, Delphi received proceeds of $4.6 million in exchange for a gross overriding royalty on the two gross wells completed during the first quarter of 2016 as part of its latest five well gross overriding royalty arrangement.

As of September 30, 2016, Delphi has a working interest in a total of 102.5 gross (87.8 net) sections of undeveloped land as part of 139.5 gross (118 net) sections of total land prospective for liquids-rich natural gas in the Montney formation, situated at its core area of Bigstone.

	Three Months Ended September 30			Nine Months Ended September 30		
	2016	2015	% Change	**2016**	2015	% Change
Land	**19**	35	(46)	**19**	4	375
Seismic	**(1)**	-	-	**4**	-	-
Drilling, completions and equipping	**14,720**	17,068	(14)	**26,706**	33,443	(20)
Facilities	**228**	3,279	(93)	**3,909**	5,721	(32)
Capitalized expenses	**397**	552	(28)	**1,206**	2,062	(42)
Other	**1**	17	(94)	**(8)**	37	(122)
Capital invested	**15,364**	20,951	(27)	**31,836**	41,267	(23)
Disposition of properties	**-**	(43,397)	(100)	**(4,583)**	(53,866)	(91)
Net capital invested	**15,364**	(22,446)	(168)	**27,253**	(12,599)	(316)

PRODUCTION

What factors contributed to the production volumes?

The production volumes for the third quarter of 2016 averaged 8,239 boe/d, a four percent increase over the comparative quarter in 2015.

Production volumes for the nine months ended September 30, 2016 averaged 7,481 boe/d, a decrease of 23 percent over the comparative period in 2015. The lower production is a result of an unscheduled outage of the SemCAMS K3 natural gas processing plant for 30 days, causing the Bigstone Montney production to be shut-in for that period during the second quarter which decreased volumes by approximately 800 boe/d and the Hythe and Wapiti dispositions undertaken in the second half of 2015 resulting in a loss of production of approximately 1,700 boe/d.

For the third quarter of 2016, Delphi's production portfolio was weighted 20 percent to field condensate, 15 percent to natural gas liquids and 65 percent to natural gas. This compares to a production portfolio for the comparative quarter in 2015 weighted 15 percent to field condensate, 13 percent to natural gas liquids and 72 per cent to natural gas. Delphi's production portfolio for the three quarters ended September 30, 2016 was weighted 20 percent to field condensate, 16 percent to natural gas liquids and 64 percent to natural gas. This compares to a production portfolio for the comparative three quarters in 2015 weighted 14 percent to field condensate, 15 percent to natural gas liquids and 71 percent to natural gas. The growth in field condensate and natural gas liquids is a reflection of the liquids-rich nature of production from the Montney formation at Bigstone.

For the three months ended September 30, 2016, field condensate as a percentage of total crude oil and natural gas liquids was 57 percent compared to 53 percent in the comparative quarter of 2015. For the first nine months of 2016, field condensate as a percentage of total crude oil and natural gas liquids was 55 percent compared to 48 percent in the comparative period in 2015.

	Three Months Ended September 30			Nine Months Ended September 30		
	2016	2015	% Change	**2016**	2015	% Change
Field condensate (bbls/d)	**1,660**	1,192	39	**1,472**	1,383	6
Natural gas liquids (bbls/d)	**1,251**	1,045	20	**1,203**	1,439	(16)
Crude oil (bbls/d)	**7**	6	17	**6**	34	(82)
Total liquids (bbls/d)	**2,918**	2,243	30	**2,681**	2,856	(6)
Natural gas (mcf/d)	**31,923**	33,871	(6)	**28,799**	40,998	(30)
Total (boe/d)	**8,239**	7,888	4	**7,481**	9,689	(23)

REALIZED SALES PRICES

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

For the three months ended September 30, 2016, Delphi's combined realized sales price decreased six percent. The decrease is due to a reduction in crude oil prices and lower realized gains on natural gas and crude oil financial risk management contracts. This was partially offset by an increase in natural gas and natural gas liquids prices. For the nine months ended September 30, 2016, the Company's combined realized sales price increased six percent versus the nine months ended September 30, 2015. The increase is primarily a result of higher natural gas prices and higher realized gains on natural gas financial risk management contracts partially offset by a reduction in crude oil prices and lower gains on crude oil financial risk management contracts. Effective December 1, 2015, Delphi commenced transporting the majority of its natural gas volumes to the Chicago supply/demand market under its Alliance pipeline full path service agreement. This allows Delphi to sell its natural gas into a market where a more balanced supply and demand exist while also receiving the benefits of a lower Canadian dollar against its U.S. counterpart.

For the three months ended September 30, 2016, Delphi's realized natural gas price before risk management contracts increased 33 percent in comparison to the same period in 2015. In the third quarter of 2015, Delphi sold its natural gas production at AECO pricing, while in 2016 the majority of the Company's natural gas production is being sold into the Chicago market. For the third quarter of 2016, the delivery of natural gas into the Chicago market increased the realized natural gas price that Delphi received by $0.89 compared to the AECO price that the Company received in 2015. The third quarter of 2016 AECO benchmark price declined by 20 percent due to a supply/demand imbalance resulting from a warm winter across North America, reducing heating demand. For the nine months ended September 30, 2016, realized natural gas prices were 13 percent higher than the comparative period of 2015 as a result of natural gas production being sold into the Chicago market in 2016.

Realized crude oil and field condensate prices before risk management contracts were six percent and 20 percent lower in the three and nine months ended September 30, 2016, respectively, compared to the same periods in 2015. Edmonton light decreased three percent and 14 percent in the three and nine months ended September 30, 2016 compared to the third quarter and the first nine months of 2015 as a result of the global crude oil supply/demand imbalance. The quality differential widened in the third quarter and nine months of 2016 compared to 2015 as lower bitumen production resulted in lower demand for condensate. These declines were further impacted by lower realized gains on risk management contracts. For the three and nine months ended September 30, 2016, the realized gains on risk management contracts were 80 percent and 44 percent lower than the same periods in 2015, respectively.

Delphi's realized natural gas liquids price for the three months ended September 30, 2016 increased by eight percent compared to the same period in 2015 as a result of increased demand for ethane and propane. The realized natural gas liquids price for the nine months ended September 30, 2016 is 12 percent lower than the comparable period in 2015 due to weakening commodity prices for ethane, butane and plant condensate offset by a price increase for propane.

	Three Months Ended September 30			Nine Months Ended September 30		
	2016	2015	% Change	**2016**	2015	% Change
AECO ($/mcf)	**2.32**	2.90	(20)	**1.85**	2.77	(33)
Chicago to AECO differential (Cdn$/mcf)	**1.28**	-	-	**1.22**	-	-
Heating content and marketing ($/mcf)	**-**	(0.19)	(100)	**(0.02)**	(0.06)	(67)
Realized price before risk management contracts ($/mcf)	**3.60**	2.71	33	**3.05**	2.71	13
Gain (loss) on physical contracts ($/mcf)	**(0.04)**	(0.05)	(20)	**(0.02)**	0.03	(167)
Gain (loss) on financial contracts ($/mcf)	**0.80**	1.17	(32)	**1.41**	0.81	74
Realized natural gas price ($/mcf)	**4.36**	3.83	14	**4.44**	3.55	25
Edmonton Light ($/bbl)	**54.80**	56.24	(3)	**50.16**	58.52	(14)
Quality differential ($/bbl)	**(5.02)**	(3.47)	45	**(4.11)**	(0.89)	362
Realized price before risk management contracts ($/bbl)	**49.78**	52.77	(6)	**46.05**	57.63	(20)
Gain (loss) on financial contracts ($/bbl)	**8.56**	41.99	(80)	**11.36**	20.33	(44)
Realized oil and field condensate price ($/bbl)	**58.34**	94.76	(38)	**57.41**	77.96	(26)
Realized natural gas liquids price ($/bbl)	**19.42**	18.06	8	**17.55**	19.96	(12)
Total realized sales price ($/boe)	**31.65**	33.77	(6)	**31.36**	29.68	6

RISK MANAGEMENT ACTIVITIES

What is Delphi's risk management strategy over the sales price it receives for its production and what contracts are in place to mitigate the risk of price volatility?

Delphi enters into both financial and physical commodity contracts as part of its risk management program to manage commodity price fluctuations designed to ensure sufficient cash is generated to fund its capital program particularly when commodity prices are extremely volatile.

With respect to financial contracts, which are derivative financial instruments, management has elected not to use hedge accounting and consequently records the fair value of its natural gas and crude oil financial contracts on the statement of financial position at each reporting period with the change in the fair value being classified as unrealized gains and losses in the consolidated statement of earnings (loss).

A summary of the Company's financial and physical commodity price risk management contracts are as follows:

Natural Gas and Crude Oil Contracts

Time Period	Type of Contract	Average Quantity Contracted	Average Price ($/unit)		Reference
December 2015 – December 2016	Financial – fixed	5,000 mmbtu/d	$3.45	U.S.	NYMEX
December 2015 – December 2016	Financial – fixed	5,000 mmbtu/d	$3.57	U.S.	NYMEX
December 2015 – December 2017	Financial – fixed	5,000 mmbtu/d	$3.55	U.S.	NYMEX
January 2016 – December 2016	Financial – fixed	2,500 GJ/d	$3.69	Cdn	AECO
January 2016 – December 2016	Financial – fixed	5,000 mmbtu/d	$3.86	U.S.	NYMEX
October 2016 – March 2017	Financial – fixed	2,950 mmbtu/d	$4.44	Cdn	Chicago
January 2017 – December 2017	Financial – fixed	2,500 mmbtu/d	$3.86	U.S.	NYMEX
January 2017 – December 2017	Financial – fixed	2,500 GJ/d	$3.75	Cdn	AECO
January 2017 – December 2017	Financial – fixed	4,500 mmbtu/d	$4.02	Cdn	NYMEX
January 2017 – December 2017	Financial – fixed	2,096 mmbtu/d	$2.95	U.S.	NYMEX
January 2017 – December 2018	Financial – fixed	3,000 mmbtu/d	$2.77	U.S.	NYMEX
January 2018 – December 2019	Financial – fixed	2,000 mmbtu/d	$4.02	Cdn	NYMEX
January 2018 – December 2019	Financial – fixed	5,000 mmbtu/d	$3.84	Cdn	NYMEX
January 2016 – December 2016	Crude Oil – financial	200 bbls/d	$78.46	Cdn	WTI
January 2016 – December 2016	Crude Oil – financial	200 bbls/d	$78.35	Cdn	WTI
January 2016 – December 2016	Crude Oil – collar [(1)]	400 bbls/d	$78.60 - $85.00	Cdn	WTI
October 2016 – December 2016	Crude Oil – financial	200 bbls/d	$59.90	Cdn	WTI
January 2017 – December 2017	Crude Oil – financial	300 bbls/d	$60.00	Cdn	WTI
January 2017 – December 2017	Crude Oil – financial	300 bbls/d	$70.00	Cdn	WTI
January 2017 – December 2019	Crude Oil – financial	300 bbls/d	$70.00	Cdn	WTI

(1) The collar has a deferred cost of $4.02 per barrel.

Basis Differential Contracts

Commencing December 1, 2015, Delphi began shipping the majority of its natural gas production through the Alliance pipeline system into the Chicago market. As a result, the Company has entered into Chicago – NYMEX basis differential contracts in order to fix the Chicago price on a portion of its production.

Time Period	Type of Contract	Quantity Contracted	Differential (U.S. $/unit)
December 2015 – December 2016	Chicago – NYMEX differential	2,500 mmbtu/d	$0.010
December 2015 – December 2016	Chicago – NYMEX differential	5,000 mmbtu/d	$0.020
December 2015 – December 2016	Chicago – NYMEX differential	5,000 mmbtu/d	$0.010
December 2015 – December 2016	Chicago – NYMEX differential	2,500 mmbtu/d	$0.010
January 2016 – December 2016	Chicago – NYMEX differential	2,500 mmbtu/d	$0.025
January 2016 – December 2016	Chicago – NYMEX differential	2,500 mmbtu/d	$0.020
January 2017 – December 2017	Chicago – NYMEX differential	7,500 mmbtu/d	$0.010

What has the Company done to mitigate the effects of foreign exchange rate fluctuations?

Effective December 1, 2015, Delphi is selling the majority of its natural gas in the Chicago market in U.S. dollars. In order to mitigate the U.S. to Canadian dollar fluctuation, Delphi has entered into the following U.S. dollar forward exchange contracts.

Time Period	Average Notional U.S. $	Average Exchange Rate (U.S.$ to Cdn$)
May 2015 – December 2018	250.0	1.2574
June 2015 – December 2016	250.0	1.1965
December 2015 – December 2016	200.0	1.2520
December 2015 – December 2016	275.0	1.2520
December 2015 – December 2016	200.0	1.2500
December 2015 – November 2017	200.0	1.2500
January 2016 – December 2017	200.0	1.3050
January 2016 – December 2017	200.0	1.3075
January 2016 – December 2017	300.0	1.3005
February 2016 – December 2016	431.8	1.4047
January 2017 – December 2017	85.4	1.3476
January 2017 – December 2017	55.0	1.3800

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

Delphi as entered into the following interest rate swap transactions on borrowing through bankers' acceptances:

Time Period	Notional $	Fixed Interest Rate
May 2015 – May 2017	30,000	0.875%
February 2016 – January 2018	30,000	0.63%
February 2016 – January 2018	15,000	0.64%

What is the fair value of Delphi's risk management contracts?

The fair value of the financial contracts outstanding as at September 30, 2016 is estimated to be an asset of approximately $3.9 million. The fair values of these contracts are based on an approximation of the amounts that would have been paid to or received from counterparties to settle the contracts outstanding at the end of the period having regard to forward prices and market values provided by independent sources. Due to the inherent volatility in commodity prices, actual amounts realized may differ from these estimates.

For the three and nine months ended September 30, 2016, the change in the fair values of the outstanding derivative commodity contracts resulted in an unrealized loss on its risk management contracts of $1.8 million and $14.6 million, respectively. The unrealized loss recognized for the three months ended September 30, 2016 is the difference between the fair values of the risk management contracts outstanding as at September 30, 2016 and the fair values as at June 30, 2016. The unrealized loss recognized for the nine months ended September 30, 2016 is the difference between the fair values of the risk management contracts outstanding as at September 30, 2016 and the fair values as at December 31, 2015.

For the three and nine months ended September 30, 2016, the risk management contracts resulted in realized gains of $3.7 million and $15.7 million, respectively.

The Company accounts for 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 in the third quarter of 2016 compare to 2015 and what factors contributed to the change?

On December 1, 2015, Delphi commenced transporting the majority of its natural gas volumes under its Alliance pipeline full path firm service agreement, allowing Delphi to sell its natural gas into the Chicago market where higher demand exists while receiving the benefits of a lower Canadian dollar against its U.S. counterpart.

Delphi generated revenue of $20.3 million in the third quarter of 2016, a 25 percent increase over the comparative period in 2015. The increase in revenues is due to a 4 percent increase in production volumes and a 20 percent increase in the average realized sales price per boe (excluding gains on financial risk management contracts).The realized natural gas price for the third quarter was $3.60 per mcf compared to $2.71 per mcf in 2015. The differential was comprised of a $0.58 decline in the AECO price offset by a Chicago to AECO premium of $1.47 inclusive of heating content and marketing. For the third quarter of 2016, field condensate and natural gas liquids contributed 48 percent of the total revenues compared to 46 percent in the same period in 2015.

In the first nine months of 2016, Delphi generated revenue of $48.6 million, a 21 percent decrease over the comparative period in 2015. The decrease in revenues is due to a 23 percent decrease in production volumes offset partially by a two percent increase in average realized sales price per boe (excluding gains on financial risk management contracts). For the nine months ended September 30, 2016, field condensate and natural gas liquids contributed 50 percent of the total revenues compared to 48 percent in the same period in 2015.

	Three Months Ended September 30			Nine Months Ended September 30		
	2016	2015	% Change	**2016**	2015	% Change
Natural gas	**10,569**	8,438	25	**24,061**	30,339	(21)
Natural gas physical contract gains (loss)	**(120)**	(135)	(11)	**(120)**	381	(131)
Field condensate	**7,604**	5,795	31	**18,578**	21,523	(14)
Natural gas liquids	**2,235**	1,736	29	**5,786**	7,841	(26)
Crude oil	**30**	20	50	**71**	770	(91)
Sulphur	**13**	380	(97)	**213**	820	(74)
Total	**20,331**	16,234	25	**48,589**	61,674	(21)

ROYALTIES

What were royalty costs in the third quarter of 2016?

For the third quarter of 2016, royalties totaled $2.4 million compared to $1.5 million in the same period in 2015. Crown royalties decreased by 14 percent as a larger portion of the revenue is associated with the Montney production at Bigstone which qualifies for royalty incentives. Crown royalties were offset by crown royalty credits that are lower in the third quarter of 2016 compared to the third quarter of 2015 due to the dispositions undertaken in the second half of 2015.

In the third quarter of 2016, gross overriding royalties increased 55 percent in comparison to the same period in 2015. The gross overriding royalty increase is due to increased revenue specifically in the Montney property at Bigstone which has a greater gross overriding royalty burden than the dispositions that were undertaken in the second half of 2015.

For the first nine months ended September 30, 2016 and 2015, total royalties were $5.5 million and $4.6 million, respectively. Crown royalties and crown royalty credits decreased as a result of the disposition of producing gas properties in the second half of 2015. Gross overriding royalties in the nine months ended September 30, 2016 increased three percent from the comparative period in 2015. The increase is primarily due to the increased revenue specifically in the Montney property at Bigstone which has a greater gross overriding royalty burden than the dispositions that were undertaken in the second half of 2015. In addition, a non-recurring gross overriding royalty payment of $0.4 million was made in the second quarter of 2016 relating to prior periods.

	Three Months Ended September 30			Nine Months Ended September 30		
	2016	2015	% Change	**2016**	2015	% Change
Crown royalties	**806**	939	(14)	**2,262**	4,029	(44)
Royalty credits	**(546)**	(775)	(30)	**(2,098)**	(4,617)	(55)
Crown royalties – net	**260**	164	59	**164**	(588)	(128)
Gross overriding royalties	**2,118**	1,369	55	**5,344**	5,187	3
Total	**2,378**	1,533	55	**5,508**	4,599	20
Per boe	**3.14**	2.11	49	**2.69**	1.74	55

What were the average royalty rates paid on production in the third quarter of 2016?

For the three months ended September 30, 2016, the average royalty rate increased to 11.7 percent, up from the 9.4 percent in the comparative period in 2015. The increase in the average royalty rate is primarily due to the increased average gross overriding royalty rate associated with Montney production at Bigstone. For the nine months ended September 30, 2016, the average royalty rate increased to 11.3 percent, up from 7.5 percent in the comparative period in 2015. The increase in the average royalty rate is primarily due to the gross overriding rate associated with the Montney production.

The gross overriding royalty rate is expected to reduce over time as wells brought on-stream since the end of the first quarter of 2016 are not encumbered by a gross overriding royalty.

	Three Months Ended September 30			Nine Months Ended September 30		
	2016	2015	% Change	**2016**	2015	% Change
Crown rate – net of royalty credits	**1.3%**	1.0%	30	**0.3%**	(1.0%)	(130)
Gross overriding rate	**10.4%**	8.4%	24	**11.0%**	8.5%	29
Average rate	**11.7%**	9.4%	23	**11.3%**	7.5%	51

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 2016 compare to 2015?

Production costs for the three months ended September 30, 2016 declined by 46 percent in comparison to the same period in 2015. The Company's costs are primarily lower due to the Wapiti and Hythe property dispositions undertaken in the second half of 2015. Further reductions include reduced fuel and compressor repairs and maintenance costs as a result of the new fuel gas line constructed in the first quarter of 2016, lower equipment rentals with the installation of an owned compressor at its 7-11 Montney facility in the first quarter of 2016 and a $1.1 million ($1.45 per boe) processing fee cost recovery related to a prior period at Bigstone.

For the nine months ended September 30, 2016, production costs have decreased 45 percent over the comparative period in 2015. The cost reductions are primarily due to the Wapiti and Hythe property dispositions undertaken in the second half of 2015 and also include lower trucking costs related to hauling produced water at Bigstone, reduced fuel and compressor repairs and maintenance costs as a result of the new fuel gas line constructed in the first quarter of 2016, lower equipment rentals and a $1.1 million ($0.54 per boe) processing fee cost recovery related to a prior period at Bigstone.

Delphi earns processing income on third party production volumes going through its facilities. The processing income represents a reduction of the Company's costs to operate these facilities and hence is deducted in determining operating expenses. Processing income indicates the Company has excess capacity at its facilities which it can access to handle growth in its production volumes. Processing income increased 19 percent in the three months ended September 30, 2016 mainly due to water disposal income. For the nine months ended September 30, 2016, as compared to the same periods in 2015, processing income decreased seven percent. This decline in processing income is primarily a result of the Wapiti and Hythe dispositions undertaken in the second half of 2015 which included working interests in facilities that earned processing income. The decrease was partially offset by increases in water disposal and road use income and growth in partner production being processed through the Company's Montney facilities.

Operating costs per boe for the third quarter and first nine months of 2016 continue to be in line with forecast expectations.

	Three Month Ended September 30			Nine Months Ended September 30		
	2016	2015	% Change	**2016**	2015	% Change
Production costs	**4,363**	8,130	(46)	**14,655**	26,682	(45)
Processing income	**(783)**	(659)	19	**(2,349)**	(2,529)	(7)
Total	**3,580**	7,471	(52)	**12,306**	24,153	(49)
Per boe	**4.72**	10.29	(54)	**6.00**	9.13	(34)

TRANSPORTATION EXPENSES

What factors contributed to the change in transportation costs in the third quarter of 2016?

For the three months ended September 30, 2016, transportation expenses increased 69 percent as compared to the same period in 2015. The increase is due to higher gas transportation fees as the Company commenced its full path firm service with the Alliance pipeline system on December 1, 2015. This increase in costs was partially offset by a reduction in trucking charges as a result of renegotiated trucking rates and reduced waiting times at the terminals and a reduction in gas gathering fees.

For the nine months ended September 30, 2016, transportation expenses increased 47 percent as compared to the first nine months of 2015. The increase in transportation expenses is due to higher gas transportation fees to ship the Company's natural gas production down the Alliance pipeline to the Chicago market which were partially offset by a reduction in trucking charges and a reduction in gas gathering fees.

Higher transportation costs, effective December 1, 2015, are offset by the premium over AECO earned on the Company's realized natural gas price by delivering into the United States and receiving Chicago pricing.

	Three Months Ended September 30			Nine Months Ended September 30		
	2016	2015	% Change	**2016**	2015	% Change
Total	**4,914**	2,902	69	**14,233**	9,705	47
Per boe	**6.48**	4.00	62	**6.94**	3.67	89

GENERAL AND ADMINISTRATIVE

How do general and administrative costs in the third quarter of 2016 compare to 2015?

General and administrative expenses (after recoveries and allocations) for the three months ended September 30, 2016 were 17 percent higher compared to the same period in 2015. Gross expenses in the third quarter of 2016 are 13 percent lower than the comparative period primarily due to lower personnel costs and a lower provision for bad debts. Overhead recoveries decreased 48 percent over the comparative period primarily due to the lower capital program in the third quarter of 2016 compared to the third quarter of 2015. Salary allocations decreased 33 percent in the third quarter of 2016 as a result of lower personnel costs.

General and administrative expenses (after recoveries and allocations) for the nine months ended September 30, 2016 were seven percent higher compared to the same period in 2015. Gross expenses in the first three quarters of 2016 are 16 percent lower than the comparative period primarily due to lower personnel costs partially offset by higher foreign exchange losses. Overhead recoveries decreased 43 percent over the comparative period primarily due to the lower capital program in 2016 compared to 2015. Salary allocations decreased 38 percent in 2016 as a result of lower personnel costs.

	Three Months Ended September 30			Nine Months Ended September 30		
	2016	2015	% Change	**2016**	2015	% Change
Gross expenses	**2,056**	2,355	(13)	**6,565**	7,784	(16)
Overhead recoveries	**(275)**	(524)	(48)	**(753)**	(1,325)	(43)
Salary allocations	**(498)**	(739)	(33)	**(1,531)**	(2,466)	(38)
General and administrative expenses	**1,283**	1,092	17	**4,281**	3,993	7
Per boe	**1.69**	1.50	13	**2.09**	1.51	38

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 ("RSUs") granted to employees, directors and key consultants of the Company. The fair value of RSUs is based on the Company's closing share price on the last business day immediately preceding the vesting date or the Company's closing share price on the last business day immediately preceding the statement of financial position date. The fair value of all options granted is estimated at the date of grant using the Black-Scholes option pricing model.

Share-based compensation expense related to the Company's option plan decreased 41 percent and 46 percent for the three and nine months ended September 30, 2016 as compared to the same periods in 2015, respectively. The decrease in the expense is due to a larger portion of options having vested in prior periods. Delphi's options are expensed on a graded basis over their vesting period causing the majority of expense to be recognized in the earlier years of the vesting period.

A share-based compensation credit related to the Company's RSUs decreased 93 percent in the three months ended September 30, 2016 in comparison to the same period in 2015. The decrease in the credit from the comparative period is due to a smaller reduction to the closing share price in third quarter of 2016 compared to 2015 used to calculate the fair value of the restricted units vested during the periods and the fair value of restricted share units paid out, in combination with a decrease in the number of outstanding units. For the nine months ended September 30 2016, share-based compensation expense relating to RSUs increased 175 percent due to the higher closing share price used to calculate the fair value of restricted share units vested during the period compared to the first nine months of 2015, partially offset by the decrease in the number of outstanding units. Capitalized share-based compensation decreased 350 percent and 61 percent in the three and nine months ended September 30, 2016 in comparison to the same periods in 2015, primarily as a result of a decrease in options and RSU's that have vested during the current year periods.

During the nine months ended September 30, 2016, 389 thousand restricted share units vested resulting in a cash expense, net of capitalization, of $0.3 million.

	Three Months Ended September 30			Nine Months Ended September 30		
	2016	2015	% Change	**2016**	2015	% Change
Share-based compensation – Options	**193**	327	(41)	**798**	1,491	(46)
Share-based compensation – RSUs	**(16)**	(226)	(93)	**165**	60	175
Capitalized costs	**50**	(20)	(350)	**(232)**	(594)	(61)
Net	**227**	81	180	**731**	957	(24)
Per boe	**0.30**	0.13	131	**0.36**	0.36	-

FINANCE COSTS

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

Interest charges increased 72 percent and two percent in the three and nine months ended September 30, 2016, respectively, in comparison to the same periods in 2015 due to the issuance of the senior secured notes at the end of the second quarter of 2016 which resulted in a higher proportion of the outstanding debt having a higher overall interest rate than the comparative periods. This was partially offset by a lower average debt balance in 2016 compared to the corresponding periods in 2015 as proceeds from dispositions in 2015 were applied against outstanding indebtedness.

The bankers' acceptances outstanding at September 30, 2016 have terms ranging from 60 to 91 days and a weighted average effective interest rate of 4.9 percent over the term.

Accretion and finance charges are non-cash and comprised of accretion expense on the Company's decommissioning obligations and the accretion of the Company's senior secured notes and subordinated debt.

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 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 46 years. The decrease in accretion expense is due to a lower decommissioning obligation as at September 30, 2016 compared to the same period in 2015 in combination with lower risk free interest rates used to calculate the expense. The decommissioning obligation decreased as a result of the disposition of the Company's Wapiti and Hythe CGUs in the third and fourth quarters of 2015.

The finance charge associated with the Company's senior secured notes is based on the effective interest rate method in order to amortize the transaction costs related to the issue and to accrete the senior secured notes to its face value of $60.0 million over the term of the debt.

	Three Months Ended September 30			Nine Months Ended September 30		
	2016	2015	% Change	**2016**	2015	% Change
Interest	**2,338**	1,356	72	**5,928**	5,797	2
Accretion	**80**	210	(62)	**244**	680	(64)
Finance charges	**378**	128	195	**700**	378	85
Total finance costs	**2,796**	1,694	65	**6,872**	6,855	-
Interest per boe	**3.08**	1.87	65	**2.89**	2.19	32
Accretion per boe	**0.10**	0.29	(66)	**0.12**	0.26	(54)
Finance charges per boe	**0.50**	0.18	178	**0.34**	0.14	143

DEPLETION, DEPRECIATION AND IMPAIRMENT

Has the Company's depletion and depreciation rate and expense changed in the second quarter of 2016 compared to 2015?

Depletion and depreciation for the three months ended September 30, 2016 increased 16 percent compared to the same period in 2015 as a result of higher production volumes and a larger proportion of production coming from CGUs that have a higher depletion rate. For the nine months ended September 30, 2016, depletion and depreciation was 25 percent lower compared to 2015 due primarily to lower production volumes partially offset by a higher depletion rate.

The Company determined that there were no indicators of impairment at September 30, 2016. Delphi recorded an impairment in the second quarter of 2015 of $19.1 million relating to its Hythe, Miscellaneous Alberta and British Columbia CGUs.

	Three Months Ended September 30			Nine Months Ended September 30		
	2016	2015	% Change	**2016**	2015	% Change
Depletion and depreciation	**8,657**	7,455	16	**23,394**	31,293	(25)
Impairment loss	**-**	-	-	**-**	19,070	(100)
Depletion and depreciation per boe	**11.42**	10.27	11	**11.41**	11.83	(4)
Impairment loss per boe	**-**	-	-	**-**	7.21	(100)

INCOME TAXES

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

Delphi recorded a deferred income tax recovery of $1.1 million for the nine months ended September 30, 2016 compared to a deferred income tax recovery of $3.2 million for the nine months ended September 30, 2015. The deferred income tax recovery in 2016 is a result of the differences between accounting and tax bases of the Company's warrant issue. Due to a continued low commodity price outlook, Delphi has not recognized its deferred income tax asset.

	Three Months Ended September 30			Nine Months Ended September 30		
	2016	2015	% Change	**2016**	2015	% Change
Deferred income taxes	**-**	-	-	**(1,132)**	(3,244)	(65)
Per boe	**-**	-	-	**(0.55)**	(1.23)	(55)

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 subordinated debt and senior credit facility, 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 2016 compare to 2015?

Delphi's cash flow from operating activities in the three and nine months ended September 30, 2016 have increased 75 percent and eight percent, respectively, compared to the same periods in 2015. Delphi's funds from operations in the three and nine months ended September 30, 2016 have decreased seven percent and 26 percent, respectively, compared to the same periods in 2015.

The increase in cash flow from operating activities in the third quarter and the first three quarters of 2016 from the comparative periods in 2015 are primarily due to the increase in the accretion of subordinated debt and senior credit facility and the changes in non-cash working capital partially offset by higher decommissioning expenditures.

The decrease in the funds from operations in the three months ended September 30, 2016 compared to the same period in 2015 is the result of lower realized gains on risk management contracts, higher transportation expenses, increased general and administrative and financing costs partially offset by an increase in natural gas and liquids sales as a result of higher production and lower operating expenses. Funds from operations for the nine months ended September 30, 2016 were lower than the first nine months of 2015 due to lower natural gas and liquids sales as a result of the Hythe and Wapiti dispositions in 2015, lower realized gains on risk management contracts and higher transportation expenses partially offset by lower operating expenses.

	Three Months Ended September 30			Nine Months Ended September 30		
	2016	2015	% Change	**2016**	2015	% Change
Cash flow from operating activities	**11,756**	6,735	75	**25,721**	23,890	8
Accretion of subordinated debt and senior credit facility	**(3,485)**	797	(537)	**(2,827)**	567	(599)
Decommissioning expenditures	**156**	104	50	**1,156**	426	171
Change in non-cash working capital	**976**	2,434	(60)	**(2,305)**	4,693	(149)
Funds from operations	**9,403**	10,070	(7)	**21,745**	29,576	(26)

CASH NETBACK AND LOSS ANALYSIS

What factors contributed to the loss in the third quarter of 2016?

Delphi had a $2.3 million loss in the third quarter of 2016, compared to a net income of $10.7 million in the third quarter of 2015. The decrease to a net loss in 2016 from net income in 2015 is primarily due to an unrealized loss on risk management contracts, lower realized gains on risk management contracts, higher transportation expenses and higher depletion and depreciation partially offset by lower operating expenses.

In the first nine months of 2016, Delphi had a $15.7 million loss compared to a loss of $19.4 million in the first nine months of 2015. The decrease in loss is primarily due to lower operating expenses, a gain on dispositions and lower depletion, depreciation and impairment charges, partially offset by higher unrealized losses on risk management contracts, higher transportation expenses and a lower deferred income tax recovery.

	Three Months Ended September 30			Six Months Ended September 30		
	2016	2015	% Change	**2016**	2015	% Change
Net loss	**(2,274)**	10,670	(121)	**(15,653)**	(19,441)	(19)
Per boe	**(3.00)**	14.70	(120)	**(7.64)**	(7.35)	4
Per basic and diluted share	**(0.01)**	0.07	(114)	**(0.10)**	(0.13)	(23)

How do Delphi's netbacks achieved in the third quarter of 2016 compare to 2015?

Delphi continues to focus its drilling on the liquids-rich natural gas Montney formation at Bigstone in order to mitigate low natural gas prices and to strengthen its operating and cash netback per boe.

Delphi's operating netback per boe for the three months ended September 30, 2016 was similar to the comparative period in 2015 despite the continued weakness in the crude oil benchmark prices. Delphi's marketing arrangement, which commenced in December 1, 2015, to ship the Company's natural gas into the Chicago market improved the realized sales price it received for its natural gas which has positively impacted Delphi's overall realized price per boe. Royalties per boe increased due to less crown royalty credits and additional wells in the first quarter being encumbered with a gross overriding royalty. Operating expenses per boe have decreased as a majority of the Company's production comes from the more efficient Montney play in Bigstone as the Company disposed of its Wapiti and Hythe CGUs during the third and fourth quarters of 2015, respectively. Transportation expense per boe increased, reflecting the higher cost of shipping Delphi's natural gas volumes down the Alliance pipeline system into the Chicago market.

For the first three nine months of 2016, Delphi's operating netback per boe increased four percent compared to the first nine months of 2015 due to a higher realized sales price for natural gas as a result of the marketing arrangement to sell natural gas into the Chicago market and realized gains on risk management contracts which more than offset the decrease in the realized crude oil price. Lower operating costs per boe were offset by higher royalties per boe and higher transportation per boe.

For the third quarter of 2016, Delphi's cash netback per boe decreased 11 percent compared to the third quarter of 2015 due to higher general and administrative, RSU payout and interest expenses per boe. General and administrative expenses were higher on a per boe basis due to lower overhead recoveries and salary allocations. RSU payout per boe was higher as a result of a higher share price used to calculate the payout. Interest expense was higher on a boe basis as a result of the issuance of the senior secured notes in the second quarter of 2016, which increased the overall effective interest rate on outstanding debt.

For the first three quarters of 2016, Delphi's cash netback per boe decreased five percent compared to the first three quarters of 2015. The decrease in the cash netback is primarily due to higher general and administrative costs and interest expenses per boe partially offset by a lower RSU payout per boe.

	Three Months Ended September 30			Nine Months Ended September 30		
	2016	2015	% Change	**2016**	2015	% Change
Barrels of oil equivalent ($/boe)						
Realized sales price	**31.65**	33.77	(6)	**31.36**	29.69	6
Royalties	**3.14**	2.11	49	**2.69**	1.74	55
Operating expenses	**4.72**	10.29	(54)	**6.00**	9.13	(34)
Transportation	**6.48**	4.00	62	**6.94**	3.67	89
Operating netback	**17.31**	17.37	-	**15.73**	15.15	4
General and administrative expenses	**1.69**	1.50	13	**2.09**	1.51	38
Paid out restricted share units	**0.13**	0.11	18	**0.14**	0.26	(46)
Interest	**3.08**	1.87	65	**2.89**	2.19	32
Cash netback	**12.41**	13.89	(11)	**10.61**	11.19	(5)
Unrealized loss on commodity risk contracts	**2.35**	(10.22)	(123)	**7.13**	(0.89)	(901)
Share-based compensation expense	**0.17**	0.02	750	**0.22**	0.10	120
(Gain) loss on dispositions	**-**	(1.35)	(100)	**(0.86)**	1.00	(186)
Exploration and evaluation	**0.74**	-	-	**0.27**	-	-
Loss on decommissioning	**0.13**	-	-	**0.17**	0.12	42
Depletion, depreciation and impairment	**11.42**	10.27	11	**11.41**	19.04	(40)
Accretion and finance charges	**0.60**	0.47	28	**0.46**	0.40	15
Deferred income taxes	**-**	-	-	**(0.55)**	(1.23)	(55)
Net earnings (loss)	**(3.00)**	14.70	(120)	**(7.64)**	(7.35)	4

SELECTED INFORMATION

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

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

Delphi's focus over the past eight quarters has been to exploit its liquids-rich resource at Bigstone in northwest Alberta in order to maximize operating netbacks. In 2014, Delphi drilled eight gross (7.6 net) wells and completed important infrastructure in the Bigstone area. Delphi expanded its 100 percent owned compression and dehydration facility located in East Bigstone and completed pipeline connections to deliver its Montney natural gas and natural gas liquids production from its two East Bigstone facilities to the SemCAMS K3 processing facility. As a result of the Company's success in developing the Montney play at Bigstone, Delphi achieved record production of 12,035 boe/d in the fourth quarter of 2014. During the third quarter of 2014, the Company disposed of certain interests from its Hythe property for net proceeds of $15.8 million, after closing adjustments. The proceeds of the disposition were used to partially fund an acquisition of Montney rights at East Bigstone for $8.8 million and an acquisition of approximately 430 boe/d (87 percent natural gas) of shallower Cretaceous production, 26.3 gross (19.3 net) sections of undeveloped land for Cretaceous production and a sweet natural gas processing plant in West Bigstone for $8.9 million.

During the first quarter of 2014, the Company's senior lenders completed their annual review of the syndicated credit facility resulting in a $30.0 million increase in the borrowing base to $170.0 million. The semi-annual review of the Company's senior extendible revolving term credit facility was conducted during the fourth quarter of 2014, resulting in an additional $20.0 million increase in the borrowing base to $190.0 million. During the fourth quarter of 2014, the Company extended the maturity date of its $20.0 million subordinated debt from December 31, 2014 to June 30, 2016.

In 2015, record production levels for natural gas in North America and crude oil globally created a supply/demand imbalance which significantly negatively impacted commodity prices. In 2015, Delphi experienced a 22 percent decrease in its realized sales price per boe as a result of the decline in the price for all commodities. In 2015, Delphi monetized risk management contracts for a realized gain of $9.9 million, which had a positive impact on the realized sales price of $2.85 per boe. With the reduced commodity prices, Delphi realized savings on royalties and focused on reducing operating and transportation expenses. In order to mitigate the depressed commodity environment and maintain financial flexibility, Delphi disposed of two major properties, its Wapiti CGU and Greater Hythe assets, a minor property in British Columbia and sold a gross

overriding royalty on three gross wells completed during the year. Delphi received net proceeds of $67.6 million for the dispositions of which the majority was used to repay bank indebtedness and the remaining was directed toward the capital program. The property dispositions in 2015 were lower netback properties relative to the Montney at Bigstone.

In 2015, Delphi invested $57.5 million of capital expenditures, drilling six gross (5.3 net) wells, completing pipeline tie-ins and investing in a water disposal facility. The water disposal facility reduces water trucking and disposal costs, further improving the netback of the Company's Montney production.

In 2015, Delphi was exposed to pipeline restrictions due to maintenance and mandated inspections on the TransCanada pipeline system. Although the curtailments were mitigated as much as possible, sales volumes and the Company's realized sales prices were negatively impacted by these restrictions. On December 1, 2015, Delphi commenced transporting most of its natural gas volumes under its Alliance firm service agreement, minimizing the exposure to ongoing curtailments on the TransCanada system. As a result of the major property dispositions, the pipeline restrictions and the reduced capital program in 2015, Delphi's average production decreased by ten percent in 2015 to 9,469 boe/d in comparison to 2014.

During the third quarter of 2015, the Company's senior extendible revolving credit facility was re-determined giving effect to the disposition of the Company's Wapiti CGU, resulting in a $175.0 million credit facility with borrowings in excess of $140.0 million subject to the consent of the lenders. During the fourth quarter of 2015, Delphi's lenders' completed their semi-annual review of the Company's senior credit facilities. The review primarily incorporated the disposition of the Company's Greater Hythe assets, Delphi's risk management program, the success of the development of the Company's Montney assets and the lenders' view of future commodity prices. As a result, Delphi's senior credit facility was reduced to $132.5 million, consisting of a $15.0 million operating facility and a $117.5 million revolving facility.

In 2016, Delphi has managed its capital program largely within internally generated funds from operations as commodity benchmark prices continue to be low and volatile. Delphi's natural gas production has benefited from a higher Chicago City Gate benchmark price and a weak Canadian dollar relative to its U.S. counterpart as compared to a lower AECO benchmark price. Delphi's commodity risk management program continues to be an integral part of the Company's strategy in order to protect cash flows and manage its capital program. During the first three quarters of 2016, Delphi invested $31.8 million, drilling three gross (2.4 net) wells and performed completion operations on four gross (3.3 net) wells and one re-frac in its Bigstone area. During the first quarter, Delphi sold a gross overriding royalty on two wells completed during the quarter for proceeds of $4.6 million.

During the second quarter of 2016, Delphi's lenders completed their annual review of the Company's senior credit facilities. The review of the borrowing base of the facility incorporated Delphi's risk management program, success of the development of the Company's Montney assets and the lenders' view of future commodity prices. As a result, Delphi's senior credit facility was redetermined at $85.0 million, consisting of a $10.0 million operating facility and a $75.0 million revolving facility. During the third quarter, the maturity date of the senior credit facility was extended from October 1, 2017 to January 15, 2018. In conjunction with the redetermination of the borrowing facility, Delphi issued $60.0 million of senior secured notes on June 15, 2016. Delphi applied the proceeds from the senior secured notes issue against its senior credit facility and repaid the subordinated debt balance of $14.2 million on June 15, 2016.

Natural gas prices over the past two years have generally reflected the cyclical nature of demand. Higher prices are usually realized in the winter months, reflecting demand for heating, with lower prices through the summer months as production is placed in storage for the upcoming heating season demand. Due to the continued supply/demand imbalance as a result of a warmer than normal winter, natural gas prices continue to remain weak. The average Chicago City Gate benchmark price for 2015 was U.S. $2.85 per mmbtu compared to an average in the first three quarters of 2016 of U.S. $2.32 per mmbtu.

The fundamental supply/demand equation for crude oil continues to be at an imbalance as global supply exceeds global demand. Global production has been increasing since the second quarter of 2014 and the benchmark price has been decreasing since a peak in July of 2014. The average WTI price was U.S. $92.92 per barrel in 2014 versus U.S. $48.76 per barrel in 2015. In the first three quarters of 2016, the average WTI price was U.S. $41.40 per barrel.

Net earnings (loss) of the Company is primarily driven by the difference between the cash netback realized per boe of production versus the Company's depletion and depreciation rate, unrealized gains (losses) on commodity risk management contracts and other non-cash charges.

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

	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014
Production								
Oil and field condensate (bbls/d)	**1,667**	1,060	1,704	1,613	1,198	1,455	1,600	1,692
Natural gas liquids (bbls/d)	**1,251**	1,023	1,336	1,414	1,045	1,582	1,698	2,020
Natural gas (mcf/d)	**31,923**	22,311	32,127	34,719	33,871	43,035	46,223	49,939
Barrels of oil equivalent (boe/d)	**8,239**	5,802	8,395	8,814	7,888	10,210	11,002	12,035
Financial								
Crude oil and natural gas sales	**20,331**	10,942	17,316	18,601	16,234	22,790	22,650	35,534
Funds from operations	**9,403**	4,152	8,190	13,317	10,070	8,725	10,781	15,869
Per share – basic and diluted	**0.06**	0.03	0.05	0.09	0.06	0.06	0.07	0.10
Net earnings (loss)	**(2,274)**	(18,638)	5,259	(23,084)	10,670	(32,106)	1,995	(25,588)
Per share – basic and diluted	**(0.01)**	(0.12)	0.03	(0.15)	0.07	(0.21)	0.01	(0.16)

CONTRACTUAL OBLIGATIONS

Does the Company have any contractual obligations as of September 30, 2016 that will require funding in future years?

The Company is committed to future minimum payments for natural gas transmission and processing and operating leases on compression equipment. The Company also has a lease for office space in Calgary, Alberta. As noted above, the senior credit facility is based on a revolving term which is reviewed annually and converts to a non-revolving term facility if not renewed which would be due on January 15, 2018.

The future minimum commitments over the next five years ending on December 31 are as follows:

	2016	2017	2018	2019	2020	Thereafter
Gathering, processing and transmission [(1)]	4,329	19,273	21,742	21,988	18,533	7,036
Office, equipment and software leases	357	1,001	9	9	7	-
Accounts payable and accrued liabilities [(2)]	25,950	-	-	-	-	-
Decommissioning obligations [(3)]	233	402	3,459	369	2,254	18,208
Restricted share units	86	-	-	-	-	-
Risk management contracts	260	242	142	-	-	-
Interest payments on senior secured notes	1,500	6,000	6,000	6,000	6,000	3,250
Bank debt	-	-	60,000	-	-	-
Senior secured notes	-	-	-	-	-	60,000
Total	32,715	26,918	91,352	28,366	26,794	88,494

(1) Balances denominated in U.S. dollars have been translated at the September 30, 2016 exchange rate.
(2) Excludes the current portion of the restricted share units as they are disclosed separately on this table.
(3) Amounts represent the inflated, discounted future abandonment and reclamation expenditures anticipated to be incurred over the life of the Company's properties.

SUBSEQUENT EVENT

What is the nature of the proposed transaction?

On November 8, 2016, Delphi announced it has entered into a non-binding Letter of Intent with an existing working interest industry partner to equalize various working interests in partially developed and undeveloped lands, production and infrastructure in Delphi's Bigstone Montney. Delphi will receive cash consideration of $30 million at closing and a $20 million carried capital commitment from the partner as part of a $40 million joint drilling program that will target five to six wells before July 15, 2017.

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.

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, 2015 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

Did the Company adopt any new standards and are there any future accounting standards which the Company will have to comply with in the future?

On January 1, 2016, Delphi adopted the amendments to IFRS 11, "Joint Arrangements," issued by the International Accounting Standards Board. The amendments require business combination accounting to be applied to the acquisition of interests in a joint operation that constitute a business. The adoption of this amendment has not had a material impact on the Company's consolidated financial statements.

The following are future accounting standards and amendments to current standards:

The IASB has issued IFRS 15, "Revenue from Contracts with Customers", which contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The standard has a current effective date of January 1, 2018. The Company is currently evaluating the impact of adopting this standard.

The IASB has issued IFRS 9, "Financial Instruments", which is the result of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The standard has an effective date of January 1, 2018. The Company is currently evaluating the impact of adopting this standard.

The IASB has issued IFRS 16, "Leases", which replaces the previous leases standard, IAS 17, "Leases.". The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. The standard is effective from January 1, 2019. Early adoption is permitted but only if the Company also applies IFRS 15, "Revenue from Contracts with Customers." . The Company is currently evaluating the impact of adopting this standard.

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 five independent directors and one officer of the Company who meet regularly to discuss matters of strategy and execution of the business plan. See Delphi's Management Information Circular

and Annual Information Form for a listing of committees that oversee specific aspects of the Company's operating and financial strategy.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management, including its President and Chief Executive Officer and Senior Vice President, Finance and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The President and Chief Executive Officer and Senior Vice President, Finance and Chief Financial Officer have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles applicable to the Company. The Company's internal controls over financial reporting is based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework).

The Company is required to disclose any change in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2016 and ended on September 30, 2016 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. No material changes in the Company's internal control over financial reporting were identified during such period that has materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

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, on 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)	**September 30, 2016**	December 31, 2015
(unaudited)		
Assets		
Current assets		
Cash and cash equivalents	**472**	2,472
Accounts receivable	**12,910**	15,809
Prepaid expenses and deposits	**1,242**	2,718
Fair value of financial instruments (Note 5)	**3,563**	18,877
	18,187	39,876
Fair value of financial instruments (Note 5)	**958**	4,152
Exploration and evaluation (Note 6)	**18,447**	19,213
Property, plant and equipment (Note 7)	**304,056**	297,601
Total assets	**341,648**	360,842
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**26,036**	33,639
Decommissioning obligations	**636**	878
Fair value of financial instruments (Note 5)	**417**	3,008
Subordinated debt (Note 8)	**-**	13,954
	27,089	51,479
Restricted share units	**-**	53
Bank debt (Note 8)	**59,805**	94,192
Senior secured notes (Note 8 and 9)	**52,540**	-
Decommissioning obligations	**24,289**	24,059
Fair value of financial instruments (Note 5)	**228**	1,561
Total liabilities	**163,951**	171,344
Shareholders’ equity		
Share capital (Note 10)	**309,389**	309,389
Warrants (Note 10)	**3,054**	-
Contributed surplus	**20,159**	19,361
Deficit	**(154,905)**	(139,252)
Total shareholders’ equity	**177,697**	189,498
Total liabilities and shareholders’ equity	**341,648**	360,842

Subsequent events (Note 5 and 12)

See accompanying notes to the condensed consolidated interim financial statements.

DELPHI ENERGY CORP.

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

	Three Months Ended September 30		Nine Months Ended September 30	
(thousands of dollars, except per share amounts)	**2016**	2015	**2016**	2015
(unaudited)				
Revenues				
Crude oil and natural gas sales	**20,331**	16,234	**48,589**	61,674
Royalties	**(2,378)**	(1,533)	**(5,508)**	(4,599)
	17,953	14,701	**43,081**	57,075
Realized gain on financial instruments (Note 5)	**3,662**	8,270	**15,698**	16,845
Unrealized gain (loss) on financial instruments (Note 5)	**(1,781)**	7,414	**(14,584)**	2,364
	19,834	30,385	**44,195**	76,284
Expenses				
Operating	**3,580**	7,471	**12,306**	24,153
Transportation	**4,914**	2,902	**14,233**	9,705
Exploration and evaluation (Note 6)	**551**	-	**568**	-
General and administrative	**1,283**	1,092	**4,281**	3,993
Share-based compensation	**227**	81	**731**	957
(Gain) loss on dispositions	**1**	(980)	**(1,760)**	2,634
Loss on decommissioning	**99**	-	**355**	309
Depletion, depreciation and impairment (Note 7)	**8,657**	7,455	**23,394**	50,363
	19,312	18,021	**54,108**	92,114
Finance costs	**2,796**	1,694	**6,872**	6,855
Earnings (loss) before income taxes	**(2,274)**	10,670	**(16,785)**	(22,685)
Income taxes				
Deferred income taxes	**-**	-	**(1,132)**	(3,244)
Earnings (loss) and comprehensive income (loss)	**(2,274)**	10,670	**(15,653)**	(19,441)
Net earnings (loss) per share (Note 10)				
Basic and diluted	**(0.01)**	0.07	**(0.10)**	(0.13)

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)	Nine Months Ended September 30, 2016	2015
(unaudited)		
Share capital		
Common shares		
Balance, beginning of period	**309,389**	309,342
Issued on exercise of options	**-**	35
Transferred on exercise of options	**-**	12
Balance, end of period	**309,389**	309,389
Warrants		
Balance, beginning of period	**-**	-
Issued with senior secured notes, net of tax (Note 10)	**3,331**	-
Warrant issue costs	**(277)**	-
Balance, end of period	**3,054**	-
Contributed surplus		
Balance, beginning of period	**19,361**	17,609
Share-based compensation	**798**	1,489
Transferred on exercise of options	**-**	(12)
Balance, end of period	**20,159**	19,086
Deficit		
Balance, beginning of period	**(139,252)**	(96,727)
Net loss	**(15,653)**	(19,441)
Balance, end of period	**(154,905)**	(116,168)
Total shareholders' equity	**177,697**	212,307

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,

	Three Months Ended September 30		Nine Months Ended September 30	
(thousands of dollars)	**2016**	2015	**2016**	2015
(unaudited)				
Cash flow from (used in) operating activities				
Net earnings (loss)	**(2,274)**	10,670	**(15,653)**	(19,441)
Adjustments for:				
Depletion, depreciation and impairment	**8,657**	7,455	**23,394**	50,363
Accretion and finance charges	**458**	338	**944**	1,058
Share-based compensation	**130**	1	**445**	261
(Gain) loss on dispositions	**1**	(980)	**(1,760)**	2,634
Exploration and evaluation	**551**	-	**568**	-
Loss on decommissioning	**99**	-	**355**	309
Unrealized (gain) loss on financial instruments	**1,781**	(7,414)	**14,584**	(2,364)
Deferred income taxes	**-**	-	**(1,132)**	(3,244)
Accretion of subordinated debt and senior credit facility	**3,485**	(797)	**2,827**	(567)
Decommissioning expenditures	**(156)**	(104)	**(1,156)**	(426)
Change in non-cash working capital (Note 11)	**(976)**	(2,434)	**2,305**	(4,693)
	11,756	6,735	**25,721**	23,890
Cash flow from (used in) financing activities				
Exercise of options	**-**	-	**-**	35
Repayment of senior credit facility	**(4,525)**	(43,908)	**(37,215)**	(28,360)
Repayment of subordinated debt	**-**	(6,000)	**(14,210)**	(6,000)
Issue of senior secured notes, net of issue costs (Note 9)	**(54)**	-	**52,095**	-
Warrants issued with senior secured notes, net of issue costs (Note 10)	**(5)**	-	**4,186**	-
Change in non-cash working capital (Note 11)	**(738)**	-	**-**	-
	(5,322)	(49,908)	**4,856**	(34,325)
Cash flow available for investing activities	**6,434**	(43,173)	**30,577**	(10,435)
Cash flow from (used in) investing activities				
Additions to exploration and evaluation	**(113)**	(152)	**(393)**	(486)
Additions to property, plant and equipment	**(15,251)**	(20,799)	**(31,443)**	(40,781)
Disposition of petroleum and natural gas properties	**-**	43,397	**4,583**	53,866
Change in non-cash working capital (Note 11)	**9,262**	11,057	**(5,324)**	(2,963)
	(6,102)	33,503	**(32,577)**	9,636
Increase (decrease) in cash and cash equivalents	**332**	(9,670)	**(2,000)**	(799)
Cash and cash equivalents, beginning of period	**140**	12,001	**2,472**	3,130
Cash and cash equivalents, end of period	**472**	2,331	**472**	2,331
Cash interest paid	**782**	2,778	**3,554**	7,399

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 northwest Alberta. The Company's core area in the Deep Basin is located at Bigstone, producing in excess of 95 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, 2016 comprise the accounts of the Company, its wholly-owned subsidiary and a partnership.

2) BASIS OF PRESENTATION

(a) Statement of compliance and authorization

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, 2015.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on November 8, 2016.

(b) Basis of measurement and functional currency

The condensed consolidated interim financial statements have been prepared on a going concern basis, using historical costs, except for derivative financial instruments and liabilities for cash-settled share-based payment arrangements, which are measured at fair value. The financial statements are presented in Canadian dollars, the Company's functional currency and rounded to the nearest thousand (unless stated otherwise).

(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 judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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 critical judgments that management has made in the process of applying Delphi's accounting policies and that have the most significant effect on the amounts recognized were the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2015.

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, 2015, with the exception of the following amended standards or standards adopted with the effective date of January 1, 2016:

On January 1, 2016, Delphi adopted the amendments to IFRS 11, "Joint Arrangements," issued by the International Accounting Standards Board. The amendments require business combination accounting to be applied to the acquisition of interests in a joint operation that constitute a business. The adoption of this amendment has not had a material impact on the Company's consolidated financial statements.

4) DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. IFRS establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as follows:

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

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

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

Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

(a) Cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities:

The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying value due to their short term to maturity.

(b) Long term debt:

The long term debt consists of a senior credit facility and senior secured notes. The fair value disclosure of the Company's senior credit facility approximates its carrying value as it bears interest at floating rates and the applicable margin is indicative of the Company's current credit premium. In the case of the senior secured notes, the fair value disclosure is measured at level 1 of the fair value hierarchy for disclosure purposes. The senior secured notes have a fair value of $61.2 million based on September 30, 2016 trading values.

(c) Restricted share units:

The restricted share unit liability is measured at level 2 of the fair value hierarchy. The fair value is based on the Company's closing share price on the last business day immediately preceding the date of the consolidated statement of financial position.

(d) Derivatives:

Delphi's interest, foreign exchange and commodity contracts are measured at level 2 of the fair value hierarchy. The fair value of commodity contracts is determined by discounting the remaining contracted petroleum and natural gas volumes by the difference between the contracted price and published forward price curves as at the consolidated financial position date. The fair value of interest rate swap contracts is determined by discounting the net future cash flows based on the fixed and variable rates associated with the notional amounts.

5) FINANCIAL RISK MANAGEMENT

The Company is exposed to market, credit and liquidity risks from its use of financial instruments. There have not been any changes to the Company's exposure to each of the above risks and the Company's policies and processes for measuring and managing these risks since December 31, 2015.

As at September 30, 2016, Delphi had the following risk management contracts outstanding:

Natural Gas Contracts

Time Period	Type of Contract	Average Quantity Contracted	Average Price ($/unit)		Reference
December 2015 – December 2016	Financial – fixed	5,000 mmbtu/d	$3.45	U.S.	NYMEX
December 2015 – December 2016	Financial – fixed	5,000 mmbtu/d	$3.57	U.S.	NYMEX
December 2015 – December 2017	Financial – fixed	5,000 mmbtu/d	$3.55	U.S.	NYMEX
January 2016 – December 2016	Financial – fixed	2,500 GJ/d	$3.69	Cdn	AECO
January 2016 – December 2016	Financial – fixed	5,000 mmbtu/d	$3.86	U.S.	NYMEX
October 2016 – March 2017	Financial – fixed	2,950 mmbtu/d	$4.44	Cdn	Chicago
January 2017 – December 2017	Financial – fixed	2,500 mmbtu/d	$3.86	U.S.	NYMEX
January 2017 – December 2017	Financial – fixed	2,500 GJ/d	$3.75	Cdn	AECO
January 2017 – December 2017	Financial – fixed	4,500 mmbtu/d	$4.02	Cdn	NYMEX
January 2017 – December 2017	Financial – fixed	2,096 mmbtu/d	$2.95	U.S.	NYMEX
January 2017 – December 2018	Financial – fixed	3,000 mmbtu/d	$2.77	U.S.	NYMEX
January 2018 – December 2019	Financial – fixed	2,000 mmbtu/d	$4.02	Cdn	NYMEX
January 2018 – December 2019	Financial – fixed	5,000 mmbtu/d	$3.84	Cdn	NYMEX

Crude Oil Contracts

Time Period	Type of Contract	Quantity Contracted	Price ($/unit)		Reference
January 2016 – December 2016	Crude Oil – financial	200 bbls/d	$78.46	Cdn	WTI
January 2016 – December 2016	Crude Oil – financial	200 bbls/d	$78.35	Cdn	WTI
January 2016 – December 2016	Crude Oil – collar [1]	400 bbls/d	$78.60 - $85.00	Cdn	WTI
October 2016 – December 2016	Crude Oil – financial	200 bbls/d	$59.90	Cdn	WTI
January 2017 – December 2017	Crude Oil – financial	300 bbls/d	$60.00	Cdn	WTI

[2] The collar has a deferred cost of $4.02 per barrel.

Subsequent to September 30, 2016, Delphi entered into the following commodity risk management contracts:

Time Period	Type of Contract	Quantity Contracted	Price ($/unit)		Reference
January 2017 – December 2017	Crude Oil – financial	300 bbls/d	$70.00	Cdn	WTI
January 2017 – December 2019	Crude Oil – financial	300 bbls/d	$70.00	Cdn	WTI

Basis Differential Contracts

Time Period	Type of Contract	Quantity Contracted	Differential (U.S. $/unit)
December 2015 – December 2016	Chicago – NYMEX differential	2,500 mmbtu/d	$0.010
December 2015 – December 2016	Chicago – NYMEX differential	5,000 mmbtu/d	$0.020
December 2015 – December 2016	Chicago – NYMEX differential	5,000 mmbtu/d	$0.010
December 2015 – December 2016	Chicago – NYMEX differential	2,500 mmbtu/d	$0.010
January 2016 – December 2016	Chicago – NYMEX differential	2,500 mmbtu/d	$0.025
January 2016 – December 2016	Chicago – NYMEX differential	2,500 mmbtu/d	$0.020
January 2017 – December 2017	Chicago – NYMEX differential	7,500 mmbtu/d	$0.010

U.S. Dollar Forward Exchange Contracts

Time Period	Average Notional U.S. $	Average Exchange Rate (U.S.$ to Cdn$)
May 2015 – December 2018	250.0	1.2574
June 2015 – December 2016	250.0	1.1965
December 2015 – December 2016	200.0	1.2520
December 2015 – December 2016	275.0	1.2520
December 2015 – December 2016	200.0	1.2500
December 2015 – November 2017	200.0	1.2500
January 2016 – December 2017	200.0	1.3050
January 2016 – December 2017	200.0	1.3075
January 2016 – December 2017	300.0	1.3005
February 2016 – December 2016	431.8	1.4047
January 2017 – December 2017	85.4	1.3476
January 2017 – December 2017	55.0	1.3800

Interest Rate Swap

Time Period	Notional $	Fixed Interest Rate
May 2015 – May 2017	30,000	0.875%
February 2016 – January 2018	30,000	0.63%
February 2016 – January 2018	15,000	0.64%

The fair value of the risk management contracts outstanding as at September 30, 2016 is estimated to be a net asset of $3.9 million (December 31, 2015, net asset of $18.5 million). As at September 30, 2016, the following derivative financial assets and financial liabilities were offset on the consolidated statement of financial position:

	Gross Amounts of Recognized Financial Assets (Liabilities)	Gross Amounts of Recognized Financial Assets (Liabilities) Offset	Net Amounts of Financial Assets (Liabilities) Recognized
Risk management contracts			
Current asset	5,199	(1,636)	3,563
Long term asset	1,972	(1,014)	958
Current liability	(503)	86	(417)
Long term liability	(254)	26	(228)
Net asset (liability)	**6,414**	**(2,538)**	**3,876**

For the three and nine months ended September 30, 2016, the risk management contracts resulted in realized gains of $3.7 million and $15.7 million, respectively.

For the three and nine months ended September 30, 2016, Delphi recorded an unrealized loss on its risk management contracts of $1.8 million and $14.6 million, respectively. The unrealized loss recognized for the three months ended September 30, 2016 is the difference between the fair values of the risk management contracts outstanding as at September 30, 2016 and the fair values as at June 30, 2016. The unrealized loss recognized for the nine months ended September 30, 2016 is the difference between the fair values of the risk management contracts outstanding as at September 30, 2016 and the fair values as at December 31, 2015.

As at September 30, 2016, if the future strip prices for crude oil were $1.00 per barrel higher with all other variables held constant, the unrealized loss on risk management contracts for the three and nine months ended September 30, 2016 would have increased by $0.2 million. As at September 30, 2016, if the future strip prices for natural gas were $0.10 per gigajoule or $0.10 per million British thermal unit higher with all other variables held constant, the unrealized loss on risk management contracts for the three and nine months ended September 30, 2016 would have increased by $2.1 million.

As at September 30, 2016, if the U.S. to Canadian dollar exchange rate would have been $0.01 higher with all other variables held constant, the unrealized loss on risk management contracts for the three months and nine months ended September 30, 2016 would have increased the net loss by $0.2 million.

6) EXPLORATION AND EVALUATION ASSETS

	Total
Balance as at December 31, 2014	18,609
Additions	635
Dispositions	(31)
Balance as at December 31, 2015	19,213
Additions	393
Expense	(568)
Transfer to oil and gas properties	(591)
Balance as at September 30, 2016	**18,447**

Exploration and evaluation assets consist of the Company's exploration projects, which are pending the determination of proven and probable reserves.

During the first nine months of 2016, Delphi added $0.4 million of exploration and evaluation expenditures related to developing the Montney formation at Bigstone and expensed $0.6 million of exploration and evaluation assets due to the expiry of certain leases in the Company's Bigstone area. During the first nine months, Delphi transferred $0.6 million of exploration and evaluation assets to property, plant and equipment following the addition of proved 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, 2014	693,902	73,383	1,036	768,321
Additions	55,397	1,732	44	57,173
Decommissioning obligations	75	(991)	-	(916)
Dispositions	(319,724)	(14,368)	-	(334,092)
Balance as at December 31, 2015	429,650	59,756	1,080	490,486
Additions	30,652	892	(8)	31,536
Decommissioning obligations	545	-	-	545
Dispositions	(2,823)	-	-	(2,823)
Transfer from exploration and evaluation assets	591	-	-	591
Balance as at September 30, 2016	**458,615**	**60,648**	**1,072**	**520,335**

Accumulated depletion and depreciation	Crude oil and natural gas properties	Production equipment	Other assets	Total
Balance as at December 31, 2014	(331,596)	(17,778)	(630)	(350,004)
Depletion and depreciation	(38,399)	(1,580)	(117)	(40,096)
Dispositions	249,903	273	-	250,176
Impairment losses	(45,715)	(7,246)	-	(52,961)
Balance as at December 31, 2015	(165,807)	(26,331)	(747)	(192,885)
Depletion and depreciation	(22,324)	(1,003)	(67)	(23,394)
Balance as at September 30, 2016	**(188,131)**	**(27,334)**	**(814)**	**(216,279)**
Net book value as at September 30, 2016	**270,484**	**33,314**	**258**	**304,056**
Net book value as at December 31, 2015	263,843	33,425	333	297,601

For the three months ended September 30, 2016, Delphi has included $221.0 million (September 30, 2015: $293.2 million) for future development costs and excluded $1.1 million (September 30, 2015: $1.1 million) for estimated salvage to its costs subject to depletion and depreciation.

During the first quarter of 2016, Delphi received proceeds of $4.6 million in exchange for a gross overriding royalty on two gross wells completed during the quarter. A gain on disposition of $1.7 million was recorded on the granting of the gross overriding royalties.

For the nine months ended September 30, 2016, Delphi capitalized $1.1 million (December 31, 2015: $2.2 million) of general and administrative expenses and $0.2 million (December 31, 2015: $0.7 million) of share-based compensation expense directly related to exploration and development activities.

8) BANK DEBT AND SUBORDINATED DEBT

	September 30, 2016	December 31, 2015
Senior Credit Facility [1]		
Prime-based loans	**-**	-
Bankers' acceptances, net of discount	**59,805**	94,192
Total	**59,805**	94,192

(1) As at September 30, 2016, the Company had outstanding letters of credit totaling $6.5 million.

Senior Credit Facility

During the second quarter of 2016, Delphi's lenders completed their semi-annual review of the Company's senior credit facilities. The review of the borrowing base of the facility incorporated Delphi's risk management program, success of the development of the Company's Montney assets and the lenders' view of future commodity prices. As a result, Delphi's senior credit facility was redetermined at $85.0 million, consisting of a $10.0 million operating facility and a $75.0 million revolving facility. During the third quarter, the maturity date of the senior credit facility was extended from October 1, 2017 to January 15, 2018.

In conjunction with the redetermination of the borrowing facility in the second quarter of 2016, Delphi issued $60.0 million of 10 percent senior secured notes on June 15, 2016, which mature on July 15, 2021 (see Note 9). Delphi has applied the proceeds from the senior secured notes issue against its senior and subordinated credit facilities.

The Company's senior extendible revolving term credit facility with a syndicate of Canadian chartered banks is subject to the banks' semi-annual review of the Company's crude oil and natural gas properties. The facility is a 364 day committed facility available on a revolving basis until September 30, 2017, 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 would be required to be repaid at the end of the non-revolving term being January 15, 2018. The non-extension provisions are applicable to the lenders on an individual basis.

Interest payable on amounts drawn under the facility is at the prevailing bankers' acceptance rates plus stamping fees, lenders' prime rate or U.S. base rate plus the applicable margins, depending on the form of borrowing by the Company. The applicable margins and stamping fees are based on a sliding scale pricing grid tied to the Company's trailing net debt to annualized quarterly funds from operations ratio: from a minimum of the bank's prime rate or U.S. base rate plus 1.00 percent to a maximum of the bank's prime rate or U.S. base rate plus 3.00 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 4.00 percent.

The syndicated credit facility is secured by a $300.0 million demand floating charge debenture and a general security agreement over all assets of the Company.

The next semi-annual review of the Company's $85.0 million extendible revolving term credit facility will be conducted in the fourth quarter of 2016. The borrowing base of the facilities will be based on the lender's evaluation of the Company's petroleum and natural gas reserves at the time and commodity prices. The review of the borrowing base could result in a reduction to the credit facility, which may require repayment to the lenders.

As at September 30, 2016, Delphi had $18.7 million (net of outstanding letters of credit) available to be drawn on the senior credit facility.

The senior credit facility is subject to the following financial covenant:

Financial covenant	Requirement	As at September 30, 2016
Adjusted working capital ratio	≥ 1.0	1.2

For the purpose of the financial covenant, the following definition is applicable:

Adjusted working capital ratio

Current assets include the undrawn portion of the senior credit facility and exclude the current portion of the fair value of financial instruments. Current liabilities exclude the current portion of bank debt, senior secured notes and subordinated debt and the current portion of the fair value of financial instruments.

Subordinated Debt

On June 15, 2016, the subordinated debt balance of $14.2 million was repaid with a portion of the proceeds from the senior secured notes.

9) SENIOR SECURED NOTES

	Senior Secured Notes	Warrants	**Total**
Issue of senior secured notes with warrants	55,537	4,463	**60,000**
Issue costs	(3,442)	(277)	**(3,719)**
Accretion of discount and amortization of issue costs	445	-	**445**
Deferred income tax effect	-	(1,132)	**(1,132)**
Balance, end of period	52,540	3,054	**55,594**

On June 15, 2016, Delphi issued $60.0 million of 10 percent senior secured notes with attached warrants (see Note 10). The Company issued 60 thousand units with each unit consisting of a $1,000 note and 245 warrants. The senior secured notes mature on July 15, 2021. Interest is payable quarterly to the holders of record on the immediately preceding April 1, July 1, October 1 and January 1. The senior secured notes are redeemable at the Company's option, in whole or part, commencing June 15, 2018 at the following specified redemption prices (expressed as a percentage of the principal amount): 2018 at 107.50 percent, 2019 at 105.00 percent and 2020 and thereafter at 100.00 percent. Prior to June 15, 2018, Delphi has the option to redeem up to 50 percent the senior secured notes at a redemption price of 110.00 percent plus accrued interest with an amount of cash not greater than the net cash proceeds of certain equity offerings.

The senior secured notes are secured on a second-priority basis by substantially all of the Company's assets and are subordinate to indebtedness under the senior credit facility.

The senior secured notes are presented net of debt issue costs of $3.4 million and will be accreted at an effective interest rate of 12.8 percent such that the carrying amount of the senior secured notes will equal the principal amount at maturity. The senior secured notes were initially recognized at fair value based on similar debt securities without the warrant feature, net of debt issue costs and subsequently are carried at amortized cost. The principal amount of the senior secured notes less the initial fair value has been allocated to the warrants.

The senior secured notes have no financial covenants but have an incurrence covenant in place that limits the Company's ability to among other things (subject to certain exceptions, limitations and qualifications): to make certain restricted payments and investments; incur additional debt; create liens; restrict dividends or other payments; consolidate, merge sell, or otherwise dispose of all or substantially all of its assets; and enter into certain transactions with affiliates.

10) SHARE CAPITAL

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

(a) Issued and outstanding	September 30, 2016		December 31, 2015	
	Outstanding shares (000's)	**Amount**	Outstanding shares (000's)	Amount
Balance, beginning of period	**155,510**	**309,389**	155,477	309,342
Issued on exercise of stock options	**-**	**-**	33	35
Transferred on exercise of options	**-**	**-**	-	12
Balance, end of period	**155,510**	**309,389**	155,510	309,389

(b) Share-based compensation

The following table summarizes the changes in the number of options outstanding and the weighted average exercise prices:

	September 30, 2016	
	Outstanding options (000's)	**Weighted average exercise price**
Balance, beginning of period	**14,441**	**1.71**
Granted	**50**	**0.98**
Forfeited	**(420)**	**1.32**
Expired	**(2,130)**	**2.53**
Balance, end of period	**11,941**	**1.58**

During the nine months ended September 30, 2016, 389 thousand restricted share units vested resulting in a cash expense, net of capitalization, of $0.3 million (September 30, 2015 $0.7 million). As at September 30, 2016, 157 thousand restricted share units were outstanding.

(c) Warrants

	September 30, 2016	
	Outstanding warrants (000's)	**Amount**
Balance, beginning of period	**-**	**-**
Issued with senior secured notes	**14,700**	**4,463**
Deferred income tax effect	**-**	**(1,132)**
Warrants issue costs	**-**	**(277)**
Balance, end of period	**14,700**	**3,054**

On June 15, 2016, the Company issued $60.0 million of senior secured notes with attached warrants. As part of the senior secured notes offering, 14.7 million warrants were issued based on 60 thousand units and 245 warrants with each unit. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of $1.40. The warrants are exercisable at any time prior to July 15, 2021. Delphi incurred $0.3 million in issuance costs. A fair value of $4.5 million has been attributed to the warrants and was determined based on the senior secured notes principal value of $60.0 million less the fair value attributed to the senior secured notes (see Note 9). The average remaining life of the warrants is 4.79 years.

(d) 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	
	2016 (000's)	2015 (000's)	**2016 (000's)**	2015 (000's)
Weighted average common shares - basic	**155,510**	155,510	**155,510**	155,499
Dilutive effect of share options and warrants outstanding	**-**	-	**-**	-
Weighted average common shares – diluted	**155,510**	155,510	**155,510**	155,499

For the three months ended September 30, 2016, a total of 11.9 million stock options (September 30, 2015: 12.2 million) and 14.7 million warrants (September 30, 2015 nil) were excluded from the calculation as they were anti-dilutive. For the nine months ended September 30, 2016, a total of 11.9 million stock options (September 30, 2015: 12.2 million) and 14.7 million warrants (September 30, 2015 nil) were excluded from the calculation as they were anti-dilutive.

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	
	2016	2015	**2016**	2015
Source (use) of cash				
Accounts receivable	**(5,900)**	(981)	**2,899**	3,980
Prepaid expenses and deposits	**1,088**	949	**1,476**	383
Outstanding cheques	**-**	-	**-**	-
Accounts payable and accrued liabilities	**12,360**	8,655	**(7,394)**	(12,019)
Total change in non-cash working capital	**7,548**	8,623	**(3,019)**	(7,656)
Relating to:				
Operating activities	**(976)**	(2,434)	**2,305**	(4,693)
Financing activities	**(738)**	-	**-**	-
Investing activities	**9,262**	11,057	**(5,324)**	(2,963)
Total change in non-cash working capital	**7,548**	8,623	**(3,019)**	(7,656)

12) SUBSEQUENT EVENT

On November 8, 2016, Delphi announced it has entered into a non-binding Letter of Intent with an existing working interest industry partner to equalize various working interests in partially developed and undeveloped lands, production and infrastructure in Delphi's Bigstone Montney. Delphi will receive cash consideration of $30 million at closing and a $20 million carried capital commitment from the partner as part of a $40 million joint drilling program that will target five to six wells before July 15, 2017.

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(2) Member of the Reserves Committee
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INDEPENDENT ENGINEERS

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STOCK EXCHANGE LISTINGS

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DEE.WT
DEE.NT

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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