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 twelve months ended December 31, 2016 and 2015 and should be read in conjunction with the audited consolidated financial statements and accompanying notes for the years ended December 31, 2016 and 2015. The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The reporting currency is the Canadian dollar. The discussion and analysis has been prepared as of March 14, 2017.

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:

Adjusted 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 adjusted 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 adjusted 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.

Adjusted funds from operations per share - adjusted 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 long term 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 equity ratio - net debt is defined as bank debt and senior secured notes plus (minus) the working capital deficit (surplus) excluding the current portion of the fair value of financial instruments. Equity is equivalent to shareholders' equity. This ratio is used to calculate the Company's compliance with its net debt to equity ratio covenant.

Net debt including outstanding letters of credit to adjusted funds from operations ratio - net debt including outstanding letters of credit is defined as total debt plus (minus) the working capital deficit (surplus) excluding the current portion of the fair value of financial instruments plus outstanding letters of credit. Adjusted 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 adjusted 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 including outstanding letters of credit to adjusted funds from operations ratio covenant.

Total debt – the sum of bank debt and senior secured notes. 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- adjusted 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 cash 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.

2016 ACCOMPLISHMENTS

What were the highlights of Delphi's operational and financial results in 2016?

In 2016, the Company achieved the following:

- Executed a strategic agreement with an existing working interest partner for proceeds of $54.6 million (including purchase price adjustments) to accelerate growth of its Bigstone Montney area (the "Partner Transaction");

- Achieved average production of 7,392 barrels of oil equivalent per day ("boe/d") despite a second quarter unscheduled 30 day outage at the SemCAMS K3 gas plant that resulted in an annualized decrease of 600 boe/d. The two major property dispositions in 2015 accounted for approximately 1,600 boe/d of the production decrease from 2015. Average production in the fourth quarter of 2016 was 7,127 boe/d;

- Increased Delphi's field condensate weighting as a percentage of fourth quarter 2016 production volumes to 19 percent, a 6 percent increase from the 18 percent in the comparative quarter of 2015;

- Net debt at the end of the 2016 year was $85.9 million, down from $121.7 million at the end of 2015 as a result of proceeds from the Partner Transaction;

- Increased Montney natural gas liquids ("NGL") and field condensate yields to 105 barrels per million cubic feet ("bbls/mmcf") in 2016, up from 97 bbls/mmcf in 2015. Field and plant condensate yield averaged 64 bbls/mmcf or 61 percent of the total 105 bbls/mmcf;

- Maintained Montney production of 6,352 boe/d, a decrease of 4 percent compared to 6,590 boe/d in 2015 despite the 30 day outage at the SemCAMS K3 gas plant in the second quarter of 2016;

- Delphi's 2016 operating costs were $6.40 per boe or 27 percent lower than 2015 operating costs of $8.78 per boe primarily due to higher cost property dispositions and cost efficiencies;

- Successfully negotiated a new $80 million senior secured revolving credit facility which was signed in 2017;

- Closed a $60.0 million public offering of 5 year term 10 percent Collateralized Exchange Listed Notes ("Senior Secured Notes");

- Successfully drilled six gross wells (4.2 net) as part of the Company's capital program and completed, tied-in and brought on production six gross (4.5 net) Montney wells in East Bigstone, 2 of which were brought on in the final week of 2016;

- Achieved gross average drilling and completion costs of $7.5 million per well on the six wells drilled in 2016 compared to gross average drilling and completion costs of $8.1 million per well in 2015;

- Realized gains of $17.6 million from commodity related risk management contracts offsetting a 20 percent decrease in the AECO natural gas price and 11 percent decrease in WTI oil prices in 2016 compared to 2015. Delphi's future risk management contracts have a mark to market liability of $9.0 million as at December 31, 2016 as a result of strengthening commodity price curve at the end of 2016.

In 2016, Delphi has continued to manage this prolonged commodity price downturn since the fourth quarter of 2014 as a result of the issuance of the $60 million of Senior Secured Notes in the second quarter of 2016 and closing a $54.6 million Partner Transaction in the fourth quarter of 2016. Net debt was reduced by 29 percent in order to maintain financial flexibility and liquidity. Adjusted funds from operations in 2016 were $29.9 million or $0.19 per basic and diluted share compared to $42.9 million or $0.28 per basic and diluted share in 2015. The decrease in adjusted funds from operations from 2015 to 2016 is primarily due to lower production volumes and gain on financial risk management contracts partially offset by lower operating costs. In 2016, Delphi recognized $17.6 million in realized gains on its financial risk management contracts. The Company remains well hedged into 2017 and continues to monitor the forward price curves for future hedging opportunities.

2016 OPERATIONAL AND FINANCIAL RESULTS

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Funds

	Three Months Ended December 31, 2016	Twelve Months Ended December 31, 2016
Sources:		
Cash and cash equivalents	-	892
Adjusted funds from operations	8,120	29,865
Disposition of properties	52,656	57,239
Issue of Senior Secured Notes	-	55,537
Warrants issued with Senior Secured Notes	-	4,463
Accretion of subordinated debt and senior credit facility	627	3,454
Exercise of stock options	553	553
	61,956	152,003
Uses:		
Cash and cash equivalents	1,108	-
Capital expenditures	21,976	53,812
Repayment of subordinated debt	-	14,210
Expenditures on decommissioning	235	1,391
Issue costs of Senior Secured Notes and warrants	(12)	3,707
Changes in non-cash working capital	3,204	6,223
	26,511	79,343
Change in bank debt	(35,445)	(72,660)

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, cash flow could be increased or reduced.

Liquidity risk is the risk that Delphi will not be able to meet its financial obligations as they become due. 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 bank credit facilities, forecasting future cash generated from operations based on reasonable production and pricing assumptions, monitoring economic risk management opportunities and maintaining sufficient cash flows for compliance with financial debt covenants.

Delphi generally relies on operating cash flows and its credit facilities to fund ongoing capital requirements and provide liquidity. Future liquidity depends primarily on cash flow generated from operations, existing credit facilities and the ability to access debt and equity markets. From time to time, the Company accesses capital markets to meet its additional financing needs and to maintain flexibility in funding its capital expenditures program. There can be no assurance that future debt financings, equity financings or cash generated from operations will be available or sufficient to meet these or other corporate requirements. If debt or equity financing is available, there is no assurance 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 over the past year. In response to this volatility and to preserve financial flexibility, Delphi took a conservative approach to its capital spending plan until the fourth quarter when it entered into a strategic agreement. The agreement consisted of partner equalizations into certain working interests in the Bigstone area for $34.6 in proceeds and a carry capital program where our partner will contribute $20.0 million for drilling and completion costs. Delphi continuously monitors commodity prices and 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 December 31, 2016?

The following table reconciles Delphi's outstanding debt:

	December 31, 2016	December 31, 2015
Bank debt(1)	**24,987**	94,192
Subordinated debt	**-**	13,954
Senior Secured Notes(2)	**52,929**	-
Exclusion of current portion of subordinated debt	**-**	(13,954)
Working capital deficiency	**8,029**	27,472
Net debt	**85,945**	121,664
Outstanding letters of credit	**6,604**	6,209
Net debt including outstanding letters of credit	**92,549**	127,873

(1) $10.0 million bankers' acceptances maturity value and $15.0 million prime based loans

(2) $60.0 million maturity value

Net debt is a non-IFRS term. Delphi's calculation of net debt includes bank debt, Senior Secured Notes, and the working capital deficiency (surplus) before the current portion of the fair value of financial instruments.

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 reduced to $85.0 million, consisting of a $10.0 million operating facility and a $75.0 million revolving facility. 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 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 adjusted funds from operation 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 senior credit facility is secured by a $300.0 million demand floating charge debenture and a general security agreement over all assets of the Company.

As at December 31, 2016, Delphi had $53.4 million (net of outstanding letters of credit of $6.6 million) 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 December 31, 2016
Adjusted working capital ratio	≥1.0	2.1

(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.

Adjusted working capital ratio	As at December 31, 2016
Current assets	32,642
Exclusion of the current fair value of financial instruments	(144)
Undrawn portion of senior credit facility	53,410
	85,908
Current liabilities	47,135
Exclusion of the current fair value of financial instruments	(6,608)
	40,527
Adjusted working capital ratio	2.1

Delphi is in compliance with all covenants as at December 31, 2016.

On January 12, 2017, Delphi entered into a new $80.0 million senior secured revolving credit facility with a banking syndicate comprised of Canadian chartered banks. The facility is a 364 day committed facility available on a revolving basis on May 31, 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 May 31, 2018. The non-extension provisions are applicable to the lenders on an individual basis. The annual review of the revolving senior credit facility will be conducted prior to May 31, 2017. The borrowing base of the facility will be based on the lender's evaluation of the Company's' petroleum and natural gas reserves at the time and commodity prices. A decrease in the borrowing base could result in a reduction to the credit facility, which may require a repayment to the lenders.

Interest payable on amounts drawn under the facility is at the prevailing bankers' acceptance or LIBOR rates plus stamping fees, lenders' prime rate or U.S. base rate plus the applicable margins, depending on the form of borrowing by the Company. The applicable margins and stamping fees are based on a sliding scale pricing grid tied to the Company's trailing debt to earnings before interest, taxes, depreciation and amortization 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 or LIBOR 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 $200.0 million demand floating charge debenture and a general security agreement over all assets of the Company.

The senior credit facility is subject to a financial covenant of a minimum adjusted working capital ratio of ≥ 1.0. The calculation of this ratio is consistent with the calculation described above.

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 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.

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. Delphi was in compliance with this covenant at December 31, 2016.

Interest coverage ratio	**Year Ended December 31, 2016**
Adjusted funds from operations	29,867
Interest charges	9,617
	39,484
Interest charges	9,617
Financing charges	1,079
	10,696
Interest coverage ratio	3.7

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.

Share Capital

How many common shares and stock options are currently outstanding?

As at March 14, 2017, the Company had 156.9 million common shares outstanding, 11.4 million share options outstanding and 14.7 million warrants outstanding. The share options have an average exercise price of $1.54 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 twelve months ended December 31, 2016:

	Three Months Ended December 31, 2016	Twelve Months Ended December 31, 2016
Weighted Average Common Shares		
Basic	155,630	155,540
Diluted	155,630	155,540
Trading Statistics (1)		
High	1.69	1.69
Low	0.96	0.68
Average daily volume (in thousands)	356,834	277,690

(1) Trading statistics based on closing price.

BUSINESS ENVIRONMENT

What external factors of the business environment did the Company have to contend with in 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 December 31			Twelve Months Ended December 31		
	2016	2015	% Change	**2016**	2015	% Change
Natural Gas						
NYMEX (US$/mmbtu)	**2.98**	2.24	33	**2.45**	2.63	(7)
Chicago City Gate(U.S. $/mmbtu)	**3.01**	2.47	22	**2.49**	2.85	(13)
AECO (Cdn $/mcf)	**3.09**	2.46	26	**2.16**	2.69	(20)
Crude Oil						
West Texas Intermediate (U.S. $/bbl)	**49.34**	42.17	17	**43.39**	48.76	(11)
Edmonton Light (Cdn $/bbl)	**61.65**	52.91	17	**53.05**	57.11	(7)
Foreign Exchange						
Canadian to U.S. dollar	**0.75**	0.75	-	**0.76**	0.78	(3)
U.S. to Canadian dollar	**1.33**	1.34	-	**1.32**	1.28	3

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 December 31, 2016 increased 22 percent in comparison to the same period in 2015. For the twelve months ended December 31, 2016, the Chicago City Gate benchmark natural gas price decreased 13 percent in comparison to the same period in 2015.

Natural gas storage levels have decreased in comparison to the prior year and storage levels are trending near the five year average due to an early start to winter which drew down on record high inventories. The imbalance between supply/demand that existed through most of 2016 has caused the price for natural gas to decrease in the twelve months ended 2016 in comparison to the same period in 2015. Natural gas prices strengthened in the fourth quarter of 2016 as a result of higher demand for natural gas for electricity generation, growing exports to Mexico and lower storage levels than 2015.

Crude Oil

West Texas Intermediate ("WTI") averaged U.S. $49.34 per barrel in the fourth quarter of 2016, an increase of 17 percent in comparison to the same period in 2015. WTI averaged U.S. $43.39 per barrel for the twelve months ended December 31, 2016, a decrease of 11 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 on a year over year basis. Edmonton Light averaged $61.65 per barrel in the fourth quarter of 2016, up 17 percent compared to the same period in 2015. For the twelve months ended December 31, 2016, Edmonton Light averaged 53.05 per barrel, down seven percent compared to the same period in 2015.

Global supply/demand fundamentals for crude oil have improved from the third quarter of 2016 as the Organization of Petroleum Exporting Countries ("OPEC") and Russia have agreed to curtail oil output. West Texas Intermediate ("WTI") has responded positively to the cuts in production. As a result WTI prices have strengthened in the fourth quarter compared to the third quarter of 2016. Crude oil prices have remained in the $50.00 - $55.00 per barrel range as OPEC supply cuts have been partially offset by an increase in US shale production.

Natural Gas Liquids

Natural gas liquids include ethane, propane, butane, pentane and plant condensate 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. The early cold start to winter reduced propane and butane inventories in Canada and the US. The improvement in the natural gas and crude oil supply/demand balance combined with lower propane and inventory levels has had a positive impact on natural gas liquids pricing.

Canadian/United States Exchange Rate

The value of the Canadian dollar against its U.S. counterpart averaged $0.75 for the three months ended and $0.76 for the twelve months ended December 31, 2016, no rate change and a three percent decrease in comparison to the same periods in 2015, respectively. As a producer of crude oil, a decline in the Canadian dollar has a positive effect on the price received for production.

DRILLING OPERATIONS

How active was Delphi in its drilling program in 2016?

Delphi's successful drilling program in 2016 was focused on the Bigstone Montney formation, drilling six gross (4.2 net) wells, including three gross (1.8 net) wells which were drilled during the fourth quarter of 2016. In comparison, Delphi was successful in drilling six gross (5.3 net) wells in 2015 which were also focused on the Bigstone Montney formation.

	Three Months Ended December 31, 2016		**Twelve Months Ended December 31, 2016**	
	Gross	Net	Gross	Net
Liquids-rich natural gas	3.0	1.8	6.0	4.2
Success rate (%)	100	100	100	100

CAPITAL INVESTED

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

During the fourth quarter of 2016, Delphi invested $19.5 million primarily on drilling and completions. Delphi drilled three gross (1.8 net) wells and brought on production two gross (1.2 net) wells in its Bigstone area in the last week of the year. During the fourth quarter of 2016, Delphi entered into a transaction with an existing working interest industry partner to accelerate the development of Delphi's liquids rich Deep Basin natural gas play at Bigstone. Pursuant to the transaction, Delphi disposed of approximately five percent of current corporate productive capacity, 16 percent of total proved and probable reserve volumes, 35 percent of certain facilities and assigned various working interests in 138.0 sections of developed and undeveloped land such that Delphi's average working interest will decrease from approximately 85 percent to 65 percent resulting in the partner holding a 35 percent working interest in these Bigstone Montney assets. At closing, Delphi received cash proceeds of $52.7 million and $1.9 million of undeveloped land.

In 2016, Delphi invested $53.8 million of capital expenditures, of which 86 percent was directed toward drilling, completion operations and equipping. Delphi drilled six gross (4.2 net) wells and brought on production six (4.5 net) wells in the 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.

During 2016, Delphi has received total net proceeds of $52.7 million and $1.9 million of undeveloped land for a transaction with a partner to accelerate the development of Delphi's liquids rich Deep Basin play at Bigstone. In addition, $4.6 million was received for a gross overriding royalty in two wells that were completed in the first quarter of 2016. Total developed and undeveloped land transferred with the Partner Transaction was approximately 28.0 sections.

As of December 31, 2016, Delphi has a working interest in a total of 106.0 gross (64.6 net) sections of undeveloped land as part of 147.0 gross (91.1 net) sections of total land prospective for liquids-rich gas in the Montney formation.

	Three Months Ended December 31			**Twelve Months Ended December 31**		
	2016	2015	% Change	**2016**	2015	% Change
Land	**350**	43	714	**369**	47	685
Seismic	**2**	-	-	**6**	-	-
Drilling, completions and equipping	**19,491**	13,351	46	**46,197**	46,794	(1)
Facilities	**1,618**	2,289	(29)	**5,527**	8,010	(31)
Capitalized expenses	**512**	494	4	**1,718**	2,556	(33)
Other	**4**	6	(33)	**(4)**	43	(109)
Capital invested	**21,977**	16,183	36	**53,813**	57,450	(6)
Disposition of properties	**(52,656)**	(13,712)	(284)	**(57,239)**	(67,578)	(15)
Net capital invested	**(30,679)**	2,471	(1,342)	**(3,426)**	(10,128)	(66)

Capital invested for Finding and Development costs	**Twelve months Ended December 31, 2016**		
	Capital invested	Disposition of properties	Total
Net capital	53,813	(57,239)	(3,426)
Carry capital costs incurred in 2016	(9,942)	-	(9,942)
Capital closing adjustment from Partner Transaction	(2,021)	2,021	-
Carry capital for Partner Transaction	-	20,000	20,000
Gross overriding royalty arrangement	(4,600)	4,600	-
Finding and development capital	37,250	(30,618)	6,632

PRODUCTION

What factors contributed to the production volumes?

The production volumes for the fourth quarter of 2016 averaged 7,127 boe/d, a 19 percent decrease over the comparative quarter in 2015. Production volumes decreased in the fourth quarter of 2016 primarily due to the disposition of the company's Hythe assets on December 1, 2015, natural declines which more than offset the wells brought on production in 2016 and wet and cold weather in the fourth quarter of 2016 which delayed the production date for two (1.2 net) wells to late December 2016.

Production volumes for the year ended December 31, 2016 averaged 7,392 boe/d, a decrease of 22 percent over the comparative period in 2015. The lower production is due to a second quarter unscheduled outage of the SemCAMS K3 natural gas processing plant for 30 days. The Bigstone Montney production was shut-in for that period which decreased volumes by approximately 600 boe/d. In addition, the Hythe and Wapiti dispositions undertaken in the second half of 2015 resulted in a loss of production of approximately 1,600 boe/d.

For the fourth quarter of 2016, Delphi's production portfolio was weighted 19 percent to field condensate, 16 percent to natural gas liquids and 65 percent to natural gas. This compares to a production portfolio for the comparative quarter in 2015 that was weighted 18 percent to field condensate, 16 percent to natural gas liquids and 66 per cent to natural gas.

Delphi's production blend for the year ended December 31, 2016 was weighted 19 percent to field condensate, 16 percent to natural gas liquids and 65 percent to natural gas. The 2015 year comparatives were weighted 15 percent to field condensate, 15 percent to natural gas liquids and 70 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.

Field condensate as a percentage of total crude oil and natural gas liquids remained constant at 54 percent for the comparative fourth quarters of 2016 and 2015. For the year ended December 31, 2016 field condensate as a percentage of total crude oil and natural gas liquids was 55 percent compared to 50 percent in the comparative period of 2015.

	Three Months Ended December 31			**Twelve Months Ended December 31**		
	2016	2015	% Change	**2016**	2015	% Change
Field condensate (bbls/d)	**1,330**	1,606	(17)	**1,436**	1,440	-
Natural gas liquids (bbls/d)	**1,125**	1,414	(20)	**1,183**	1,433	(17)
Crude oil (bbls/d)	**8**	7	14	**8**	27	(70)
Total crude oil and natural gas liquids (bbls/d)	**2,463**	3,027	(19)	**2,627**	2,900	(9)
Natural gas (mcf/d)	**27,988**	34,719	(19)	**28,595**	39,416	(27)
Total (boe/d)	**7,127**	8,814	(19)	**7,392**	9,469	(22)

REALIZED SALES PRICES

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

For the three months ended December 31, 2016 and 2015, Delphi realized an average sales price of $34.27 and $37.09 per boe, an eight percent decrease from 2015. The decrease in the realized average sales price is due to lower realized gains on risk management contracts, offset by a 37 percent increase in commodity prices. During the fourth quarter of 2015, Delphi monetized $5.9 million of commodity risk management contracts which had an impact of $7.28 per boe.

For the year ended December 31, 2016, Delphi realized an average sales price of $32.06 per boe, a two percent increase in comparison to the same period in 2015. The increase in the realized average sales price is primarily due to an increase in commodity prices partially offset by a decrease in realized gains on commodity risk management contracts.

For the three months ended December 31, 2016, Delphi's realized natural gas price decreased by 20 percent in comparison to the same period in 2015. The decrease in the realized natural gas sales price is due to a decrease in realized gains on physical and financial risk management contracts partially offset by a premium received for Delphi's natural gas sales at the Chicago City Gate. For the year ended December 31, 2016, Delphi's realized natural gas sales price increased 11 percent compared to the same period in 2015. The gas price increase is primarily a result selling the Montney natural gas at the Chicago City Gate.

Realized crude oil and field condensate prices were four percent lower for the three months ended December 31, 2016 compared to the same period in 2015. The decrease in primarily the result of a significant decrease in realized financial gains on risk management contracts partially offset by an increase in Edmonton light and a lower differential. For the year ended December 31, 2016, the realized crude oil and field condensate prices were 21 percent lower compared to the same period in 2015. The decrease is mainly comprised of a greater oil differential as well as a reduced gain on the risk management contracts for the period.

Delphi's realized natural gas liquids price for the three and twelve months ended December 31, 2016 increased 60 percent and 5 percent compared to the same periods in 2015, respectively. The increase is a result of strengthening commodity prices for all natural gas liquids, specifically for propane.

	Three Months Ended December 31			Twelve Months Ended December 31		
	2016	2015	% Change	**2016**	2015	% Change
AECO ($/mcf)	**3.09**	2.46	26	**2.16**	2.69	(20)
Chicago to AECO differential (Cdn $/mcf)	**0.91**	-	-	**1.14**	-	-
Heating content and marketing ($/mcf)	**-**	0.22	-	**(0.02)**	0.02	(184)
Realized price before risk management contracts ($/mcf)	**4.00**	2.68	49	**3.28**	2.71	21
Gain (loss) on physical contracts ($/mcf)	**-**	0.16	-	**(0.01)**	0.06	(116)
Gain (loss) on financial contracts ($/mcf)	**0.49**	2.76	(82)	**1.18**	1.23	(4)
Realized natural gas price ($/mcf)	**4.49**	5.60	(20)	**4.45**	4.00	11
Edmonton Light ($/bbl)	**61.65**	52.91	17	**53.05**	57.11	(7)
Quality differential ($/bbl)	**(4.49)**	(5.86)	23	**(4.41)**	(2.40)	(84)
Realized price before risk management contracts ($/bbl)	**57.16**	47.05	21	**48.64**	54.71	(11)
Gain (loss) on financial contracts ($/bbl)	**5.41**	18.01	(70)	**9.97**	19.69	(49)
Realized oil and field condensate price ($/bbl)	**62.57**	65.06	(4)	**58.61**	74.40	(21)
Delphi's realized natural gas liquids price ($/bbl)	**30.42**	18.94	60	**20.62**	19.70	5
Total realized sales price ($/boe)	**34.27**	37.09	(8)	**32.06**	31.43	2

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 commodity price risk management contracts are as follows:

Natural Gas Contracts

Time Period	Type of Contract	Average Quantity Contracted	Average Price ($/unit)		Reference
December 2015 – December 2017[(1)]	Financial – fixed	5,000 mmbtu/d	$3.55	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

(1) Delphi unwound 2,700 mmbtu/d for the first quarter of 2017.

Crude Oil Contracts

Time Period	Type of Contract	Quantity Contracted	Price ($/unit)		Reference
January 2017 – March 2017	Crude Oil – financial	450 bbls/d	$50.04	U.S.	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

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)
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?

Commencing December 1, 2015, Delphi's natural gas price is predominantly based on the Chicago index and exposed to Cdn/U.S. foreign exchange fluctuations. In order to mitigate this risk, Delphi has entered into U.S. dollar forward exchange contracts.

Time Period	Average Notional U.S. $	Exchange Rate (U.S.$ to Cdn$)
May 2015 – December 2018	250.0	1.2574
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
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 has entered into the following interest rate swap transactions on borrowings through bankers' acceptances:

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

In the first quarter of 2017, Delphi transferred certain commodity, foreign exchange and interest rate risk management contracts to a new counterparty. In addition, Delphi entered into the following contract:

Time Period	Type of Contract	Average Quantity Contracted	Average Price ($/unit)	Reference
January 2018 – December 2018	Financial – fixed	3,000 mmbtu/d	$4.01 Cdn	NYMEX

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

The fair value of the financial contracts outstanding as at December 31, 2016 is estimated to be a net liability of approximately $9.0 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 year having regard to forward prices and market values provided by independent sources. Due to the inherent volatility in commodity prices, actual amounts realized may differ from these estimates.

For the three months ended December 31, 2016, the derivative commodity contracts resulted in a realized gain of $1.9 million and an unrealized loss of $12.9 million. For the twelve months ended December 31, 2016, the derivative commodity contracts resulted in a realized gain of $17.6 million and an unrealized loss of $27.5 million. The unrealized loss for the three and twelve months ended December 31, 2016, is the difference between the fair value of the commodity risk management contracts outstanding as at December 31, 2016 and the fair value as at September 30, 2016 and December 31, 2015, 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 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 $20.5 million in the fourth quarter of 2016, a ten percent increase over the comparative period in 2015. The increase in revenues is primarily due to an increase in benchmark prices for all market commodities. The realized natural gas price before risk management contracts for the fourth quarter was $4.00 per mcf compared to $2.68 in 2015; the differential was comprised of a $0.63 increase in the AECO price and by an increase in the Chicago to AECO premium of $0.69 inclusive of heating content and marketing.

For the year ended December 31, 2016, Delphi generated revenue of $69.1 million, a 14 percent decrease in comparison to the same period in 2015. The decrease in revenue is primarily due to a reduction in sales volumes associated with the 2015 property dispositions, offset by a 21 percent increase in the realized natural gas price before risk management contracts.

For the fourth quarter of 2016, field condensate and natural gas liquids contributed 50 percent of total revenues compared to 51 percent in the same period in 2015. For the years ended December 31, 2016 and 2015, field condensate and natural gas liquids contributed 50 percent and 49 percent of total revenues respectively.

	Three Months Ended December 31			Twelve Months Ended December 31		
	2016	2015	% Change	**2016**	2015	% Change
Natural gas	**10,307**	8,582	20	**34,368**	38,921	(12)
Natural gas physical contract gains (loss)	**-**	493	-	**(120)**	873	-
Field condensate	**6,995**	6,956	1	**25,573**	28,479	(10)
Natural gas liquids	**3,146**	2,464	28	**8,931**	10,305	(13)
Crude oil	**42**	27	51	**114**	797	(86)
Sulphur	**56**	80	(30)	**269**	900	(70)
Total	**20,546**	18,602	10	**69,134**	80,275	(14)

ROYALTIES

What were royalty costs in 2016?

For the fourth quarter of 2016, royalties totaled $1.2 million compared to $3.1 million in the same period in 2015. Crown royalties decreased by 35 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 higher in the fourth quarter of 2016 compared to the fourth quarter of 2015 due to crown royalty adjustments associated with condensate incentives, recorded in the quarter.

In the fourth quarter of 2016, gross overriding royalties decreased by 21 percent in comparison to the same period in 2015. The gross overriding royalty decreased as a result of wells brought on-stream since the end of the first quarter of 2016 that are not encumbered by a gross overriding royalty.

For the years ended December 31, 2016 and 2015 total royalties were $6.7 million and $7.7 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 year ended December 31, 2016 decreased three percent from the comparative period in 2015 due to the Hythe and Wapiti dispositions in 2015.

	Three Months Ended December 31			Twelve Months Ended December 31		
	2016	2015	% Change	**2016**	2015	% Change
Crown royalties	**733**	1,125	(35)	**2,996**	5,154	(42)
Royalty credits	**(850)**	260	(427)	**(2,948)**	(4,357)	(32)
Crown royalties – net	**(117)**	1,385	(108)	**48**	797	(94)
Gross overriding royalties	**1,356**	1,721	(21)	**6,700**	6,908	(3)
Total	**1,239**	3,106	(60)	**6,748**	7,705	(12)
Per boe	**1.89**	3.83	(51)	**2.49**	2.23	12

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

For the three months ended December 31, 2016, the average royalty rate decreased to 6.0 percent, down from the 17.1 percent in the comparative period in 2015. The 2016 crown royalty is minimal as crown royalties are offset by crown royalty credits and royalty holidays. The fourth quarter 2015 average royalty rate is primarily due to the recognition of a repayment of Crown royalty credits associated with 2015 as Crown royalty credits, the cost of processing the Crown's share of natural are limited to Crown royalties paid, partially offset by a decrease in Crown royalty rates due to a decline in commodity prices. The decrease in the gross overriding royalty rate is primarily due to wells brought on-stream that are not encumbered by a gross overriding royalty.

For the year ended December 31, 2016, the average royalty rate increased to 9.8 percent, up from 9.7 percent in the comparative period in 2015.

The gross overriding royalty rate is expected to decrease 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 December 31			Twelve Months Ended December 31		
	2016	2015	% Change	**2016**	2015	% Change
Crown rate – net of royalty credits	**(0.6%)**	7.6%	(108)	**0.1%**	1.0%	-
Gross overriding rate	**6.6%**	9.5%	(31)	**9.7%**	8.7%	11
Average rate	**6.0%**	17.1%	(65)	**9.8%**	9.7%	1

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 2016 compare to 2016?

Production costs for the three months ended December 31, 2016 declined by 15 percent in comparison to the same period in 2015. The Company's costs are primarily lower due to the Wapiti and Hythe property dispositions that occurred in the second half of 2015. Further reductions include reduced equipment rentals with the installation of an owned compressor at its 7-11 Montney facility in the first quarter of 2016 and lower trucking offset by a $0.6 million negative prior period adjustment related to 2015 disposed properties.

For the twelve months ended December 31, 2016 production costs have decreased 39 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 processing fee cost recovery related to a prior period equalization at Bigstone.

Delphi's processing income relates to joint operating partner 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 21 percent in the three months ended December 31, 2016 mainly due to increased water disposal income. For the twelve months ended December 31, 2016, as compared to the same periods in 2015, processing income is consistent with the prior year. The Wapiti and Hythe processing fees have been offset by increases in water disposal, road use income and growth in partner production being processed through the Company's Montney facilities.

	Three Months Ended December 31			Twelve Months Ended December 31		
	2016	2015	% Change	**2016**	2015	% Change
Production costs	**5,923**	6,944	(15)	**20,578**	33,626	(39)
Processing income	**(920)**	(760)	21	**(3,269)**	(3,289)	(1)
Total	**5,003**	6,184	(19)	**17,309**	30,337	(43)
Per boe	**7.63**	7.63	-	**6.40**	8.78	(27)

TRANSPORTATION EXPENSES

What factors contributed to the change in transportation costs in 2016?

For the three months ended December 31, 2016, transportation expenses increased 12 percent as compared to the same period in 2015. Gas transportation fees increased 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 year ended December 31, 2016, transportation expenses increased 37 percent as compared to the year ended December 31, 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 partially offset by the premium earned over AECO on the Company's realized natural gas price by delivering into the United States and receiving Chicago pricing.

	Three Months Ended December 31			Twelve Months Ended December 31		
	2016	2015	% Change	**2016**	2015	% Change
Total	**4,506**	4,014	12	**18,739**	13,719	37
Per boe	**6.87**	4.95	39	**6.93**	3.97	75

GENERAL AND ADMINISTRATIVE

How do general and administrative costs in 2016 compare to 2015?

General and administrative ("G&A") expenses (after recoveries and allocations) for the three months ended December 31, 2016 were 33 percent lower compared to the same period in 2015. Gross expenses in the fourth quarter of 2016 were 30 percent lower than the comparative period primarily due to lower personnel costs. Overhead recoveries decreased 23 percent over the comparative period due to the Hythe property disposition undertaken in the fourth quarter of 2015. Salary allocations decreased 26 percent in the fourth quarter of 2016 as a result of lower personnel costs.

General and administrative expenses (after recoveries and allocations) for the year ended December 31, 2016 were five percent lower compared to the same period in 2015. Gross expenses for the year ended December 31, 2016 are 20 percent lower than the comparative period primarily due to lower personnel costs partially offset by foreign exchange losses. Overhead recoveries decreased 38 percent over the comparative period primarily due to the Wapiti and Hythe property dispositions undertaken in the second half of 2015. For year over year comparative, salary allocations decreased 35 percent in 2016 as a result of lower personnel costs.

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

	Three Months Ended December 31			Twelve Months Ended December 31		
	2016	2015	% Change	**2016**	2015	% Change
Gross expenses	**2,031**	2,898	(30)	**8,597**	10,682	(20)
Overhead recoveries	**(371)**	(484)	(23)	**(1,125)**	(1,809)	(38)
Salary allocations	**(499)**	(674)	(26)	**(2,030)**	(3,140)	(35)
General and administrative expenses	**1,161**	1,739	(33)	**5,442**	5,732	(5)
Per boe	**1.77**	2.15	(18)	**2.01**	1.66	21

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 39 percent and 27 percent for the three and twelve months ended December 31, 2016, respectively as compared to the same periods in 2015. 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.

In the first quarter of 2017, Delphi granted 1.9 million stock options to its directors and officers and 1.0 million options to the employees of Delphi at a grant price of $1.50 per share.

A share-based compensation expense related to the Company's RSUs decreased 27 percent in the three months ended December 31, 2016 in comparison to the same period in 2015. The decrease in the expense for the fourth quarter of 2016 compared to the same quarter in 2015 is due to a decrease in the number of outstanding units which more than offset the higher closing share price as at December 30, 2016 compared to December 30, 2015. For the twelve months ended December 31, 2016, share-based compensation expense relating to RSUs increased 44 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 twelve months of 2015, partially offset by the decrease in the number of outstanding units as well as higher share prices used for calculating the expense related to vested and paid out RSUs during the year. Capitalized share-based compensation decreased 13 percent and 55 percent in the three and twelve months ended December 31, 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 year ended December 31, 2016, the Company paid out $0.4 million related to the Company's RSUs of which $0.1 million was capitalized to property, plant and equipment. During the year ended December 31, 2015, the Company paid out $1.0 million of share-based cash compensation expense related to the Company's outstanding RSUs of which $0.3 million was capitalized to property, plant and equipment.

	Three Months Ended December 31			**Twelve Months Ended December 31**		
	2016	2015	% Change	**2016**	2015	% Change
Share-based compensation – Options	**175**	273	(36)	**973**	1,764	(45)
Share-based compensation – RSUs	**79**	109	(27)	**244**	169	44
Capitalized costs	**(70)**	(79)	(13)	**(302)**	(673)	(55)
Net	**184**	303	(39)	**915**	1,260	(27)
Per boe	**0.28**	0.38	(26)	**0.34**	0.36	(6)

GAIN ON PROPERTY DISPOSITIONS

What does the gain on property dispositions relate to?

In 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 of $2.9 million was recorded on the sale of the gross overriding royalties.

In the fourth quarter of 2016, Delphi entered into a transaction with a partner whereby Delphi disposed of approximately five percent of current corporate productive capacity, 16 percent of total proved and probable reserve volumes, 35 percent of certain facilities and assigned various working interests in 138.0 sections of developed and undeveloped land resulting in the partner holding a 35 percent working interest in these Bigstone Montney assets. At closing, Delphi received proceeds of $54.6 million comprised of cash, land and a carry capital receivable. The assets had a net book value of $40.5 million including decommissioning liability of $0.7 million and exploration and evaluation costs of $6.7 million resulting in a gain of $7.4 million.

In the second quarter of 2015, Delphi disposed of a certain interest in its British Columbia CGU for net proceeds of $0.4 million. The assets sold had a net book value of $0.3 million, including decommissioning obligations of $0.5 million, resulting in a $0.1 million gain on the disposition.

During the third quarter of 2015, Delphi disposed of its Wapiti CGU for net proceeds of $48.8 million. The assets had a net book value of $53.5 million, including decommissioning obligations of $6.8 million, resulting in a $4.7 million loss on the disposition.

During the fourth quarter of 2015, the Company disposed of its Greater Hythe assets for net proceeds of $11.4 million. The assets had a net book value of $1.4 million, including decommissioning obligations of $17.3 million, resulting in a gain of $10.0 million.

In addition, Delphi received proceeds of $6.9 million in exchange for a gross overriding royalty on three gross wells completed during 2015. A gain of $2.9 million was recorded on the sale of gross overriding royalties.

A summary of the 2016 dispositions are as follows:

Property	**Net Proceeds**	**Net Book Value (net of decommissioning)**	**Loss (Gain)**
Partner Transaction	54,555	47,145	(7,410)
Gross Overriding Royalty	4,600	2,914	(1,686)
Other	(16)	(64)	(49)
Total	59,139	49,995	(9,144)
Per boe	-	-	(3.38)

FINANCE COSTS

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

Interest charges increased 41 percent and 11 percent in the three and twelve months ended December 31, 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. A higher proportion of the outstanding debt has 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.

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 subordinated debt.

The accretion of decommissioning obligations is an expense that relates to the passing of time until the Company estimates when it will retire its assets and restore the asset locations to a condition which meets or exceeds environmental standards. Due to the long term nature of certain assets of the Company, this accretion expense is estimated to extend over a term of one to 40 years. The decrease in accretion expense is primarily due to a lower decommissioning obligation from property dispositions in Hythe, Wapiti, Berland River, Miscellaneous Alberta and NE British Columbia CGUs in the 2015 year.

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 December 31			**Twelve Months Ended December 31**		
	2016	2015	% Change	**2016**	2015	% Change
Interest	**2,436**	1,722	41	**8,364**	7,519	11
Accretion	**81**	127	(36)	**325**	807	(60)
Finance charges	**380**	129	195	**1,080**	507	113
Total finance costs	**2,897**	1,978	46	**9,769**	8,833	11
Interest per boe	**3.72**	2.12	75	**3.09**	2.18	42
Accretion per boe	**0.11**	0.16	(29)	**0.12**	0.23	(48)
Finance charges per boe	**0.58**	0.16	262	**0.40**	0.15	166

DECOMMISSIONING EXPENSE

What does the decommissioning expense relate to?

For the twelve months ended December 31, 2016, and December 31, 2015, the Company recognized $0.4 million of decommissioning expense. The decommissioning expense is the difference between decommissioning expenditures incurred in the period and the carrying amount of the Company's decommissioning obligation for those specific assets. The expense recorded primarily relates to unexpected decommissioning and reclamation costs on one well and the construction of an area access road for the 2017 abandonment program.

DEPLETION, DEPRECIATION AND IMPAIRMENT

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

Depletion and depreciation before impairment loss for the three and twelve months ended December 31, 2016 decreased 22 percent and 24 percent compared to the same periods in 2015, respectively. The decrease is primarily due to the 2015 property dispositions, the impairment taken in 2015 and lower production volumes. The Wapiti CGU was disposed of during the third quarter of 2015 and the Greater Hythe assets were sold in the fourth quarter of 2015. For the fourth quarter and year ended December 31, 2016, the depletion and depreciation rates per boe were relatively unchanged with decreases of three and four percent.

As at December 31, 2016, Delphi identified indicators of impairment, such as the continued weak commodity price environment and a reduction in property cash flows. As a result, the Company's only remaining CGU, Bigstone, was tested for impairment. Delphi has recognized a $20.5 million impairment based on the difference between the year-end carrying value and the CGU's estimated recoverable amount. The impairment is associated with lower future cash flows on the proved and probable reserves on wells drilled in prior years. The fair value less costs to sell included the expected future cash flows of proved and probable reserves using pre-tax discount rate of approximately eleven percent plus an estimate of the fair value of the undeveloped land associated with the CGU reserves.

For the year ended December 31, 2015, Delphi recognized $53.0 million of impairments relating to its Bigstone, Hythe, Miscellaneous Alberta and British Columbia CGUs. The impairments were based on the difference between the period end carrying value of the CGU's and the recoverable amount. The recoverable amount for the Bigstone impairment was determined using the value in use methodology which included the expected future cash flows of proved and probable reserves using a pre-tax discount rate of approximately eleven percent plus an estimate of the fair value of the undeveloped land associated with the CGU's reserves. The recoverable amounts for the other CGU's were determined using a fair value less costs to sell methodology with the expected future cash flows based on proved and probable reserves using pre-tax discount rates of 15 to 20 percent.

	Three Months Ended December 31			Twelve Months Ended December 31		
	2016	2015	% Change	**2016**	2015	% Change
Depletion and depreciation	**6,890**	8,803	(22)	**30,284**	40,096	(24)
Impairment loss	**20,461**	33,891	(40)	**20,461**	52,961	(61)
Total	**27,351**	42,694	(36)	**50,745**	93,057	(45)
Depletion and depreciation per boe	**10.51**	10.86	(3)	**11.19**	11.60	(4)
Impairment loss per boe	**31.21**	41.79	(25)	**7.56**	15.33	(51)

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 twelve months ended December 31, 2016 compared to a deferred income tax recovery of $3.2 million for the twelve months ended December 31, 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. As a result, no deferred income tax recovery was recorded in the fourth quarter against the net loss incurred.

	Three Months Ended December 31			Twelve Months Ended December 31		
	2016	2015	% Change	**2016**	2015	% Change
Deferred income taxes recovery	**-**	-	-	**(1,132)**	(3,244)	(65)
Per boe	**-**	-	-	**(0.42)**	(0.94)	(66)

ADJUSTED FUNDS FROM OPERATIONS

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

Adjusted funds from operations are a non-IFRS measure that has been defined by the Company and is used as a measure to analyze performance. Delphi considers adjusted 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. Adjusted 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 adjusted funds from operations in the fourth quarter of 2016 compare to 2015?

Delphi's cash flow from operating activities in the three and twelve months ended December 31, 2016 have decreased 63 percent and 27 percent, respectively, compared to the same periods in 2015. Delphi's adjusted funds from operations in the three and twelve months ended December 31, 2016 has decreased 39 percent and 30 percent, respectively, compared to the same periods in 2015.

The decrease in cash flow from operating activities for the year ended December 31, 2016 from the comparative period in 2015 is primarily due to the same reasons as the changes in the adjusted funds from operations discussed above.

The decrease in the adjusted funds from operations for the year ended December 31, 2016 compared to the same period in 2015 is the result of lower sales revenue for all products as a result of the Hythe and Wapiti dispositions in 2015, lower realized gains on risk management contracts, higher transportation expenses and financing costs partially offset by lower royalty expense, operating expense and general and administrative expense.

	Three Months Ended December 31			Twelve Months Ended December 31		
	2016	2015	% Change	**2016**	2015	% Change
Cash flow from operating activities	**8,262**	22,460	(63)	**33,983**	46,350	(27)
Accretion of subordinated and long term debt	**(627)**	(691)	(9)	**(3,454)**	(124)	2,685
Decommissioning expenditures	**235**	318	(26)	**1,391**	744	87
Change in non-cash working capital	**250**	(8,770)	(103)	**(2,055)**	(4,077)	(50)
Adjusted funds from operations	**8,120**	13,317	(39)	**29,865**	42,893	(30)

NET LOSS

What factors contributed to the loss in 2016?

For the three months ended December 31, 2016, Delphi recorded a net loss of $25.5 million ($0.16 loss per basic and diluted share), compared to a net loss of $23.1 million ($0.15 loss per basic and diluted share) in the same period in 2015. The increase in the net loss is primarily due to lower realized gains on risk management contracts, higher unrealized loss on risk management contracts and lower gain on disposition partially offset by lower depletion, depreciation and impairment charges.

For the twelve months ended December 31, 2016, Delphi recorded a net loss of $41.1 million ($0.26 loss per basic and diluted share) compared to a net loss of $42.5 million ($0.27 loss per basic and diluted share) in the same period in 2015. The decrease in the net loss is primarily due to lower depletion, depreciation and impairment charges and lower operating costs partially offset by lower realized gains on risk management contracts, higher unrealized loss on risk management contracts, lower crude oil and natural gas sales and higher transportation.

	Three Months Ended December 31			Twelve Months Ended December 31		
	2016	2015	% Change	**2016**	2015	% Change
Net loss	**(25,461)**	(23,084)	10	**(41,114)**	(42,525)	(3)
Per boe	**(38.85)**	(28.47)	36	**(15.21)**	(12.29)	24
Per basic and diluted share	**(0.16)**	(0.15)	9	**(0.26)**	(0.27)	(2)

CASH NETBACK AND EARNINGS ANALYSIS

How do Delphi's netbacks achieved in 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 December 31, 2016 decreased 14 percent compared to the fourth quarter of 2015. The decrease in the operating netback per boe from the fourth quarter of 2015 to that of 2016 is due to a lower realized sales price as a result of lower natural gas and crude oil financial risk management gains which more than offset increased realized natural gas and condensate sale prices and increased gas transportation costs offset by lower crown and gross overriding royalty expense.

For the twelve months ended December 31, 2016 the operating netback was decreased one percent compared to the twelve months ended 2015. 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 Delphi received for its natural gas which 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 fourth quarter of 2016, Delphi's cash netback per boe decreased 25 percent compared to the fourth quarter of 2015 due to higher interest expenses per boe offset by lower general and administrative costs per boe. 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. General and administrative expenses were lower on a per boe basis due primarily to personnel costs associated with termination benefits paid out in 2015.

For the twelve months ended 2016, Delphi's cash netback per boe decreased 11 percent compared to the comparative period in 2015. The decrease in the cash netback is primarily due to higher general and administrative and interest expenses per boe partially offset by a lower RSU payout per boe.

	Three Months Ended December 31			**Twelve Months Ended December 31**		
	2016	2015	% Change	**2016**	2015	% Change
Barrels of oil equivalent ($/boe)						
Realized sales price	**34.27**	37.09	(8)	**32.06**	31.43	2
Royalties	**1.89**	3.83	(51)	**2.49**	2.23	12
Operating expenses	**7.63**	7.63	-	**6.40**	8.78	(27)
Transportation	**6.87**	4.95	39	**6.93**	3.97	74
Operating netback	**17.88**	20.68	(14)	**16.24**	16.45	(1)
General and administrative expenses	**1.77**	2.15	(18)	**2.01**	1.66	21
Paid out restricted share units	**-**	-	0	**0.11**	0.20	(47)
Interest	**3.72**	2.12	75	**3.09**	2.18	42
Cash netback	**12.39**	16.41	(25)	**11.03**	12.41	(11)
Unrealized loss (gain) on commodity risk contracts	**19.68**	4.90	301	**10.17**	0.47	2,064
Share-based compensation expense	**0.28**	0.38	(65)	**0.23**	0.16	45
Loss (gain) on dispositions	**(11.26)**	(13.49)	(16)	**(3.38)**	(2.40)	41
Exploration and evaluation	**0.01**	-		**0.20**	-	0
Loss on decommissioning	**0.11**	0.12	(11)	**0.16**	0.12	31
Depletion, depreciation and impairment	**41.72**	52.65	(21)	**18.76**	26.93	(30)
Accretion and finance charges	**0.70**	0.32	119	**0.52**	0.38	40
Deferred income taxes	**-**	-		**(0.42)**	(0.94)	(55)
Net loss	**(38.85)**	(28.47)	36	**(15.21)**	(12.29)	24

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 adjusted 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 2015, record production levels for natural gas and crude oil have created a supply/demand imbalance which has 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 to maintain financial flexibility, Delphi disposed of two major properties, its Wapiti CGU and Greater Hythe assets, and a minor property in British Columbia and sold a gross overriding royalty on three gross wells completed during the year. 2015 production associated with the property dispositions is an average of 1,678 boe/d, with a production portfolio weighted one percent to crude oil, 83 percent to natural gas and 16 percent to natural gas liquids. Total land associated with the dispositions consisted of 138,163 net acres. 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 will allow Delphi to save on 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 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'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 twelve months ended 2016, Delphi invested $53.8 million, drilling six gross (4.2 net) wells and brought on production six gross (4.5 net) wells and one re-frac in its Bigstone area. As a result of the major property dispositions in 2015 and the unplanned outage at SemKAMS K3 plant, Delphi's production decreased by 22 percent to 7,392 boe/d in comparison to 2015.

During the first quarter of 2016, 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 re-determined at $85.0 million, consisting of a $10.0 million operating facility and a $75.0 million revolving facility. 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. During the third quarter, the maturity date of the senior credit facility was extended from October 1, 2017 to January 15, 2018.

During the fourth quarter of 2016, Delphi entered into the Partner Transaction with an existing working interest industry partner to accelerate the development of Delphi's liquids rich Deep Basin natural gas play at Bigstone. At closing Delphi received proceeds of $54.6 million comprised of $32.7 million including purchase price adjustments, $1.9 million in undeveloped land and $20.0 million related to the carry capital obligation of our partner to fund 50 percent of the combined share of Delphi and its partners' drilling and completion costs. The assets had a net book value of $40.5 million including decommissioning obligations of $0.7 million and exploration and evaluation cost of $6.7 million. A gain of $7.4 million was recorded on the disposition.

At the end of the fourth quarter of 2016, Delphi entered into a term sheet with respect to a new $80.0 million senior secured revolving credit facility with a new banking syndicate comprised of Canadian chartered banks. The new senior revolving credit facility was signed in January 2017. The new senior credit facility was reduced to $80 million from $85 million, consisting of a $12.5 million credit operating facility and a $67.5 million credit revolving facility.

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 for 2016 of U.S. $2.49 per mmbtu. Natural gas prices somewhat strengthened in the fourth quarter of 2016 as a result of an early start to winter.

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 fundamental supply/demand equation for crude oil improved in the later part of 2016 as a result of OPEC and Russian supply cuts. The average WTI price was U.S. $92.92 per barrel in 2014 versus U.S. $48.76 per barrel in 2015 and U.S. $43.39 per barrel in 2016.

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 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:

	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2015	Mar. 31, 2015
Production								
Oil and field condensate (bbls/d)	**1,338**	1,667	1,060	1,704	1,613	1,198	1,455	1,600
Natural gas liquids (bbls/d)	**1,125**	1,251	1,023	1,336	1,414	1,045	1,582	1,698
Natural gas (mcf/d)	**27,988**	31,923	22,311	32,127	34,719	33,871	43,035	46,223
Barrels of oil equivalent (boe/d)	**7,127**	8,239	5,802	8,395	8,814	7,888	10,210	11,002
Financial								
Crude oil and natural gas revenue	**20,546**	20,331	10,942	17,316	18,601	16,234	22,790	22,650
Adjusted funds from operations	**8,120**	9,403	4,152	8,190	13,317	10,070	8,725	10,781
Per share – basic	**0.05**	0.06	0.03	0.05	0.09	0.06	0.06	0.07
Per share – diluted	**0.05**	0.06	0.03	0.05	0.09	0.06	0.06	0.07
Net earnings (loss)	**(25,461)**	(2,274)	(18,638)	5,259	(23,084)	10,670	(32,106)	1,995
Per share – basic	**(0.16)**	(0.01)	(0.12)	0.03	(0.15)	0.07	(0.21)	0.01
Per share – diluted	**(0.16)**	(0.01)	(0.12)	0.03	(0.15)	0.07	(0.21)	0.01

On an annual basis, how has Delphi performed?

The annual results for 2015 and 2016 have been affected by the volatility of commodity prices, property dispositions and the successful drilling program in Bigstone.

In 2015, Delphi focused on reducing costs and disposing of lower netback properties in order to maintain financial flexibility during the depressed pricing environment. In 2015, 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 for net proceeds of $67.6 million. Delphi took a conservative approach to its capital program in 2015, drilling infill locations to minimize capital spending on infrastructure. Delphi's 2015 capital program of $57.5 million (before dispositions) was directed toward the drilling of six gross (5.3 net) wells, pipeline tie-ins and investing in a water disposal facility. The water disposal facility will allow Delphi to save on water trucking and water disposal costs, further improving the netback for the Company's Montney production. In 2015, Delphi produced an average of 9,469 boe/d compared to 10,549 boe/d in 2014.

As a result of the weak commodity pricing environment and the disposition of two major properties in 2015, the Company's senior extendible revolving credit facility was reduced to $132.5 million in the fourth quarter of 2015, consisting of a $15.0 million operating facility and a $117.5 million revolving facility.

In 2016, 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 twelve months ended 2016, Delphi invested $53.8 million, drilling six gross (4.2 net) wells and brought on production six gross (4.5 net) wells and one re-frac in its Bigstone area. As a result of the major property dispositions in 2015 and the unplanned 30 day outage at SemKAMS K3 plant, Delphi's production decreased by 22 percent to 7,392 boe/d in comparison to 2015.

Please see quarterly analysis above for additional 2016 developments.

The following table sets forth selected consolidated financial information of the Company for the most recently completed year ended December 31, 2016 and for the years ended 2015 and 2014:

	2016	2015	2014
Revenue	**69,134**	80,275	163,870
Net loss	**(41,114)**	(42,525)	(7,263)
Per share – basic and diluted	**(0.26)**	(0.27)	(0.05)
Total assets	**303,625**	360,842	481,749
Net debt	**85,945**	121,664	173,655

CONTRACTUAL OBLIGATIONS

Does the Company have any contractual obligations as of December 31, 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 365 day non-revolving term facility if not renewed.

The future minimum commitments are as follows:

	2017	2018	2019	2020	2021	Thereafter
Gathering, processing and transmission (1)	20,098	20,851	20,851	18,763	1,387	5,896
Office, equipment and software leases	1,252	43	9	7	-	-
Accounts payable and accrued liabilities (2)	39,514	-	-	-	-	-
Decommissioning obligations (3)	848	3,273	399	2,129	801	16,429
Restricted share units	165	-	-	-		
Risk management contracts	6,608	2,274	274	30	-	-
Interest payments on Senior Secured Notes	6,000	6,000	6,000	6,000	3,250	-
Bank debt	-	25,000	-	-	-	-
Senior Secured Notes	-	-	-	-	60,000	
Total	74,485	57,441	27,533	26,929	65,438	22,325

(1) Balances denominated in US dollars have been translated at the December 31, 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 to December 31, 2016, Delphi entered into a new agreement to extend the current gathering and processing arrangement to 2018 for an additional $3.6 million in commitment.

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

Estimates and their underlying assumptions are reviewed on an ongoing basis. Delphi attempts to mitigate this risk by employing individuals with the appropriate skill set and knowledge to make reasonable estimates, developing internal control systems and comparing past estimates to actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are included in the following:

i) Depletion and depreciation – management estimates the useful lives of production equipment and other assets based on the period during which the assets are expected to be available for use. For crude oil and natural gas properties, the estimated useful lives are based on proved and probable reserves as determined annually by the Company's independent engineers and internal estimates on a quarterly basis determined in accordance with National Instrument 51-101 ("NI 51-101") and the Canadian Oil and Gas Evaluation Handbook ("COGEH").

   Calculations for the depletion of crude oil and natural gas properties are based on total capitalized costs plus estimated future development costs of proved and probable reserves less the estimated salvage value of production equipment and facilities after the proved reserves are fully produced.

ii) Recoverability of asset carrying values – Delphi's assets are aggregated into CGUs for the purpose of calculating impairment based on their ability to generate largely independent cash inflows. CGUs have been determined based on similar geological structure, geographical proximity, production profiles and infrastructure of its assets. By nature, these assumptions are subject to management's judgment and may impact the carrying value of the Company's assets in future periods. The Company's CGUs could change in the future as a result of development, acquisition or disposition activity.

   The assessment of any impairment of property, plant and equipment is dependent upon estimates of recoverable amount that take into account factors such as reserves, economic and market conditions, discount rates, timing of cash flows, the useful lives of assets and their related salvage values. In determining whether oil and gas properties are impaired, each CGU's carrying value is compared to its recoverable amount, defined as the greater of its fair value less costs to sell and value in use.

   The recoverable amount of Delphi's CGUs were estimated as their value in use based on the following information:

   - the net present value, using pre-tax discount rates, of expected future cash flows based on proved and probable reserves as estimated by the Company's independent engineers; and
   - the fair value of undeveloped land based on estimates provided by Delphi's independent land evaluator.

   Key input estimates used in the determination of cash flows from oil and gas reserves include the following:

   - Reserves - Assumptions that are valid at the time of reserve estimation may change significantly when new information becomes available. Changes in forward commodity price estimates, production costs or recovery rates may change the economic status of reserves and may ultimately result in reserves being adjusted.
   - Oil and gas prices - Forward price estimates of oil and natural gas prices are used in the cash flow model. Commodity prices have fluctuated widely in recent years due to global and regional factors including supply and demand fundamentals, inventory levels, exchange rates, weather, economic and geopolitical factors.
   - Discount rate - Estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Changes in the general economic environment could result in significant changes to this estimate.

iii) Decommissioning obligations – provisions for decommissioning obligations associated with the Company's drilling operations are based on current legal and constructive requirements, technology, price levels and expected plans for remediation. Actual costs and timing of cash outflows can differ from estimates because of changes in laws and regulations, public expectations, prices, discovery and analysis of site conditions, changes in clean up technology and changes in discount rates.

iv) Share-based compensation - the fair value of stock options granted is measured using a Black-Scholes option pricing model. Measurement inputs such as the expected volatility, expected life of the options and a forfeiture rate require management judgment and estimates. The Company estimates volatility based on weighted average historical traded daily volatility. The expected life of the options is estimated by using an average life for awards based on historical plan records. Management also makes an estimate of the number of options that will be forfeited based on historical information. The estimated forfeiture rate is adjusted to reflect actual forfeitures. Dividends are not taken into consideration as the Company does not expect to pay dividends.

v) Deferred income taxes – deferred income tax assets and liabilities are recognized for the estimated tax consequences between amounts included in the financial statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of the reversal of temporary differences and accordingly affect the amount of the deferred income tax asset or liability calculated at a point in time. These differences could materially impact net earnings (loss).

NEW AND FUTURE 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?

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 in the scoping phase of implementation. Adopting IFRS 15 is not expected to have a material impact on the Company's consolidated financial statements.

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. Adopting IFRS 9 is not expected to have a material impact.

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.” Delphi does not expect to early adopt the new standard and the extent of the impact of adoption of the standard has not yet been determined.

The IASB issued amendments to IAS 7, “Statement of Cash Flows” to be applied prospectively for annual periods beginning on or after January 1, 2017 with early adoption permitted. The amendments require disclosure of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities. The adoption of the IAS & amendments will require additional disclosure in the Company's consolidated financial statements.

The IASB issued amendments to IFRS 2 “Share-based Payment” to be applied prospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted. The amendments clarify how to account for certain types of share-based payment transactions. The Company is currently assessing the impact of the adoption of the amendments on the Company's consolidated financial statements. Adopting the amendment is not expected to have a material impact.

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 currently 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 Company's President and Chief Executive Officer has concluded that the Company's internal controls over financial reporting and disclosure controls and procedures are effective and provide a reasonable level of assurance that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified. Management's assessment of the Company's internal controls over financial reporting was based on the framework in Internal Control over Financial Reporting – Guidance for Smaller Public Companies issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework).

The Company notes that while it believes the disclosure controls and procedures and internal controls over financial reporting provide a reasonable level of assurance that they are effective, it does not expect that the disclosure controls and procedures and internal controls will prevent all errors and fraud. A control system is designed to provide reasonable, not absolute, assurance that the objectives of the control system are met. There were no changes made to the disclosure controls and procedures or internal controls over financial reporting during the fourth quarter of 2016

2017 OUTLOOK AND FORWARD-LOOKING INFORMATION –

This management discussion and analysis contains forward-looking statements and forward-looking information within the meaning of applicable Canadian securities laws. These statements relate to future events or the Company's future performance and are based upon the Company's internal assumptions and expectations. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of any of the words “expect”, “anticipate”, “continue”, “estimate”, “may”, “will”, “should”, “believe”, "intends”, “forecast”, “plans”, “guidance”, “budget” and similar expressions.

More particularly and without limitation, this management discussion and analysis contains forward-looking statements and information relating to petroleum and natural gas production estimates and weighting, projected crude oil and natural gas prices, future exchange rates, expectations as to royalty rates, expectations as to transportation and operating costs, expectations as to general and administrative costs and interest expense, expectations as to capital expenditures and net debt, planned capital spending, future liquidity and Delphi's ability to fund ongoing capital requirements through operating cash flows and its credit facilities, supply and demand fundamentals for oil and gas commodities, timing and success of development and exploitation activities, cash availability for the financing of capital expenditures, access to third-party infrastructure, treatment under governmental regulatory regimes and tax laws and future environmental regulations.

Furthermore, statements relating to “reserves” are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitable in the future.

The forward-looking statements and information contained in this management discussion and analysis are based on certain key expectations and assumptions made by Delphi. The following are certain material assumptions on which the forward-looking statements and information contained in this management discussion and analysis are based: the stability of the global and national economic environment, the stability of and commercial acceptability of tax, royalty and regulatory regimes applicable to Delphi, exploitation and development activities being consistent with management's expectations, production levels of Delphi being consistent with management's expectations, the absence of significant project delays, the stability of oil and gas prices, the absence of significant fluctuations in foreign exchange rates and interest rates, the stability of costs of oil and gas development and production in Western Canada, including operating costs, the timing and size of development plans and capital expenditures, availability of third party infrastructure for transportation, processing or marketing of oil and natural gas volumes, prices and availability of oilfield services and equipment being consistent with management's expectations, the availability of, and competition for, among other things, pipeline capacity, skilled personnel and drilling and related services and equipment, results of development and exploitation activities that are consistent with management's expectations, weather affecting Delphi's ability to develop and produce as expected, contracted parties providing goods and services on the agreed timeframes, Delphi's ability to manage environmental risks and hazards and the cost of complying with environmental regulations, the accuracy of operating cost estimates, the accurate estimation of oil and gas reserves, future exploitation, development and production results and Delphi's ability to market oil and natural gas successfully to current and new customers. Additionally, estimates as to expected average annual production rates assume that no unexpected outages occur in the infrastructure that the Company relies on to produce its wells, that existing wells continue to meet production expectations and any future wells scheduled to come on in the coming year meet timing and production expectations.

Commodity prices used in the determination of forecast revenues are based upon general economic conditions, commodity supply and demand forecasts and publicly available price forecasts. The Company continually monitors its forecast assumptions to ensure the stakeholders are informed of material variances from previously communicated expectations.

Financial outlook information contained in this management discussion and analysis about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. Readers are cautioned that such financial outlook information contained in this management discussion and analysis should not be used for purposes other than for which it is disclosed.

Although the Company believes that the expectations reflected in such forward-looking statements and information are reasonable, it can give no assurance that such expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent known and unknown risks and uncertainties. Delphi's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits Delphi will derive therefrom. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oil and gas industry in general such as operational risks in development, exploration and production, delays or changes in plans with respect to exploration or development projects or capital expenditures, the uncertainty of estimates and projections relating to production rates, costs and expenses, commodity price and exchange rate fluctuations, marketing and transportation, environmental risks, competition from others for scarce resources, the ability to access sufficient capital from internal and external sources, changes in governmental regulation of the oil and gas industry and changes in tax, royalty and environmental legislation. Additional information on these and other factors that could affect the Company's operations or financial results are included in the Company's most recent Annual Information Form and other reports on file with the applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

Readers are cautioned that the foregoing list of factors is not exhaustive. Furthermore, the forward-looking statements contained in this MD&A are made as of the date of this MD&A for the purpose of providing the readers with the Company's expectations for the coming year. The forward-looking statements and information may not be appropriate for other purposes. Delphi undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. The forward-looking statements contained in this management discussion and analysis are expressly qualified in their entirety by this cautionary statement.

PRODUCTION

What are the Company's production expectations for 2017?

The Company's average annual production in 2017 will be dependent upon the number of wells drilled, funded by cash flow, resulting in production between 9,000 and 9,500 boe/d. The production is expected to be split 40 percent to liquids and 60 percent to natural gas.

REVENUES

What does the Company project for crude oil and natural gas prices and the Canadian/United States exchange rate in 2017?

Natural Gas

United States natural gas prices are commonly referenced to the New York Mercantile Exchange Henry Hub in Louisiana ("NYMEX") while Canadian natural gas prices are typically referenced to the Canadian Alberta Energy Company interconnect with the TransCanada Alberta system ("AECO"). Natural gas prices are primarily influenced by North

American, rather than global, supplies of natural gas versus domestic demand for winter heating and the generation of electricity for summer cooling requirements. Over the past seven years, multi-stage hydraulic fracturing technology has unlocked significant natural gas resource potential in numerous shale basins in North America which are capable of initially producing at very high rates of natural gas before declining and producing for a long time. The United States has significantly grown its supply of dry gas to meet domestic demand over that same period of time further influencing the dynamics of the natural gas markets.

Natural gas storage levels have decreased in comparison to the prior year and storage levels are trending near the five year average due to an early start to winter which drew down on record high inventories. Delphi remains optimistic about the long term outlook for natural gas prices. The average price for NYMEX in the first two months of 2017 has been $3.34 per million British thermal units ("mmbtu"). Consequently, Delphi is managing its forecast for NYMEX natural gas prices to average between U.S. $3.15 and $3.35 per mmbtu for the year.

Crude Oil

West Texas Intermediate at Cushing, Oklahoma ("WTI") is the benchmark reference for North American crude oil prices. Canadian crude oil prices are based upon postings, primarily at Edmonton, Alberta and represent the WTI price adjusted for quality and transportation differentials as well as the Canadian/United States ("Cdn/US") dollar exchange rate. The fundamental supply/demand equation for crude oil is imbalanced as global supply exceeds global demand. Global supply/demand fundamentals for crude oil have improved from the third quarter of 2016 as the Organization of Petroleum Exporting Countries ("OPEC") and Russia have agreed to curtail oil output. West Texas Intermediate ("WTI") has responded positively to the cuts in production.

Delphi is currently managing its capital program based on an average WTI price for 2016 of U.S. $53.00 to U.S. $55.00 per barrel.

Canadian/United States Exchange Rate

Both crude oil and natural gas prices in Canada are premised on the U.S. dollar price for each product adjusted for the Cdn/US dollar exchange rate and quality and transportation differentials. The strength or weakness of the Canadian dollar versus the U.S. dollar will largely reflect the global demand for raw materials, particularly metals, minerals and crude oil. The global financial markets tolerance for risk and its need for financial security in the form of holding U.S dollars will also have an effect on the value of the Canadian dollar against the U.S. dollar.

The exchange rate is influenced by many variables which will continue to result in volatility. Delphi has assumed that the Canadian dollar will average $0.72 to $0.75 Cdn. to U.S. dollar.

ROYALTIES

What average royalty rate does Delphi expect to pay in 2017?

The Company pays royalties to provincial governments, individuals and companies that own surface and/or mineral rights and Companies that have been granted an overriding royalty. These payments take the form of Crown, freehold and overriding royalties. Crown royalty rates for crude oil and natural gas are generally calculated on a sliding scale based on commodity prices and production rates whereas freehold and overriding royalty rates are generally a fixed percentage of revenue less the cost to deliver the product to market. Crown royalty rates can change due to price fluctuations or changes in production volumes on a well by well basis subject to minimum and maximum rates. For natural gas liquids, Crown royalty rates are a fixed percentage of revenue with the rate varying according to the nature of the product. Crown royalty credits are received from the Crown and represent the fee earned by the owners of natural gas processing infrastructure to process the Crown's royalty share of natural gas. Freehold royalties are paid on freehold lands and overriding royalties are generally payable on lands where the Company has earned an interest in the lands through a farm-in, whether the lands are Crown or freehold. Crown royalties are also influenced by royalty incentives provided by the provincial governments to stimulate drilling activity by the industry. Delphi expects the royalty regime in Alberta to remain stable throughout 2017. Royalties are not affected by gains or losses realized through the Company's risk management program.

For 2017, Delphi expects its royalty rate, after the deduction for royalty credits to average between ten and twelve percent of gross revenue, excluding realized and unrealized gains or losses on commodity risk management contracts.

TRANSPORTATION EXPENSES AND OPERATING COSTS

Will Delphi be able to further reduce its costs of production in 2017?

Transportation expenses are costs incurred by the Company to transport its production volumes from the wellhead to the point of sales. In Alberta, transportation expense is influenced by market conditions and availability of existing pipeline capacity. In British Columbia, infrastructure is owned by Spectra Energy Corp. that enables natural gas producers to avoid facility construction in exchange for regulated gathering, processing and transmission fees. These charges are included in transportation expenses.

Delphi expects its transportation expenses to be approximately $6.50 to $7.00 per boe in 2017. Transportation expenses are subject to the availability of pipeline capacity on an interruptible basis in areas of significant production growth by industry. Delphi does not anticipate having any issues moving its production to sales.

The costs of production may be more than expected in periods of very high industry activity causing considerable competition and rising prices for general oilfield services and equipment. With the growth in Montney production as a percentage of total production, operating costs are expected to increase due to sour gas processing through non-operated facilities. Operating costs in 2017 are expected to average between $6.75 and $7.25 per boe.

GENERAL & ADMINISTRATIVE AND FINANCE COSTS

What are the Company's overhead costs for personnel and financing?

In 2017, Delphi anticipates its general and administrative costs, net of capitalized amounts, to be approximately $1.55 to $1.80 per boe, lower than 2016.

Interest costs will be dependent on market rates and credit spreads for the oil and gas sector and will be a function of the general economic conditions in Canada. If the economy is viewed as growing too fast, which may result in inflation, interest rates may be increased to slow down the pace of growth in the economy. Interest costs may also increase if adjusted funds from operations are less than expected and long term debt is used to fund a larger portion of the capital program than originally anticipated. Interest expense is expected to be approximately $2.40 to $2.75 per boe in 2017.

CAPITAL PROGRAM AND NET DEBT LEVELS

What are the Company's forecast capital expenditures and net debt levels for 2017?

The Company expects 2017 net capital expenditures to be between $65.0 and $70.0 million to drill, complete and tie-in thirteen to fourteen wells dependent on commodity prices and hence adjusted funds from operations. The ability to drill, complete and tie in wells assumes the availability of equipment and field personnel to undertake the operations. Historically, Delphi executes a winter capital program in excess of first quarter funds flow followed by at least one quarter of minimal activity prior to returning to the field with an active summer/fall program.

The Company is targeting net debt at December 31, 2017 to be between $120.0 and $125.0 million.

ADDITIONAL INFORMATION

Where is additional information about Delphi available?

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