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The first quarter of 2018 is characterized by several milestones. Successful delineation drilling into West Bigstone is driving field condensate production to record levels, with current condensate production up approximately 45 percent from one year ago. The recent integration of the Company's under-utilized sweet non-Montney gathering and processing infrastructure into its Montney development will be instrumental in driving operating costs lower. These milestones combined with improving WTI oil and realized condensate prices, as well as advantaged natural gas marketing arrangements are all contributing to increasing netbacks.

First Quarter 2018 Highlights

- Drilled four (2.6 net) successful wells and completed six (3.9 net) Montney wells in Bigstone;
- Produced 9,515 barrels of oil equivalent per day ("boe/d"), a 16 percent increase from 8,198 boe/d in the first quarter of 2017;
- Increased field condensate production by 27 percent to 2,472 barrels per day ("bbls/d") and natural gas liquids ("NGLs") by nine percent to 1,418 bbls/d in comparison to the first quarter of 2017;
- Increased natural gas liquids and field condensate yields to 115 barrels per million cubic feet ("bbls/mmcf"), up six percent from the 109 bbls/mmcf in the comparative quarter of 2017 and up eleven percent from the 104 bbls/mmcf in the fourth quarter of 2017. Field and plant condensate yields are 83 bbls/mmcf, or 72 percent of the 115 bbls/mmcf;
- Field condensate and natural gas liquids accounted for 65 percent of crude oil and natural gas revenues;
- Realized a natural gas price before risk management contracts of $3.74 per thousand cubic feet ("mcf") compared to an AECO price of $2.08 per mcf as a result of selling approximately 90 percent of our natural gas in Chicago, Illinois, via full-path transportation arrangements;
- Added $1.25 per barrel of oil equivalent ("boe") to cash netback from marketing income generated from excess firm Alliance transportation service; and
- Cash netbacks per boe increased by 23 percent over the comparative quarter resulting in adjusted funds flow of $11.4 million, a 43 percent increase over the first quarter of 2017.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended March 31		
	2018	2017	% Change
Operating (boe conversion – 6:1 basis)			
Production:			
Field condensate (bbls/d)	**2,472**	1,940	27
Natural gas liquids (bbls/d)	**1,418**	1,302	9
Natural gas (mcf/d)	**33,747**	29,737	13
Total (Boe/d)	**9,515**	8,198	16

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended March 31		
	2018	2017	% Change
Financial			
($ thousands, except per share)			
Oil and natural gas revenues	**32,675**	25,671	27
Net earnings (loss)	**(4,466)**	8,156	(155)
Per share – basic and diluted	**(0.02)**	0.05	(140)
Adjusted funds flow(1)	**11,428**	7,970	43
Per share – basic and diluted(1)	**0.06**	0.05	20
Net debt(1)	**166,436**	108,367	54
Capital expenditures, net of dispositions	**41,165**	30,055	37
Weighted average shares (000s)			
Basic	**185,547**	156,790	18
Diluted	**185,547**	159,775	16
Average realized sales prices, before financial instruments			
Field condensate ($/bbl)	**69.97**	60.85	15
Natural gas liquids ($/bbl)	**43.93**	32.23	36
Natural gas ($/mcf)	**3.74**	4.18	(11)
Netbacks ($/boe)			
Crude oil and natural gas revenues	**38.16**	34.79	10
Marketing income (1)	**1.25**	-	-
Realized loss on financial instruments	**(2.87)**	(0.62)	363
Revenue, after realized financial instruments	**36.54**	34.17	7
Royalties	**(3.05)**	(3.26)	(6)
Operating expense	**(9.48)**	(8.80)	8
Transportation expense	**(5.46)**	(5.63)	(3)
Operating netback(1)	**18.55**	16.48	13
General and administrative expenses	**(1.63)**	(2.98)	(45)
Interest	**(3.38)**	(2.69)	26
Settlement of unutilized take-or-pay contract	**(0.19)**	-	-
Cash netback (1)	**13.35**	10.81	23

(1) Refer to non-GAAP measures

OPERATING AND FINANCIAL HIGHLIGHTS FOR THE QUARTER ENDED MARCH 31, 2018

Delphi completed a $41.2 million capital program in the first quarter of 2018, entirely focused on the Company's Montney play at Bigstone. The capital program included $32.5 million for drilling four (2.6 net) wells, completing six (3.9 net) wells, equipping and bringing four (2.6 net) wells on production along with $8.2 million for facilities, including construction of the Company's Phase 1 Amine project. Commissioning of the amine facility was completed in May and sweetened Montney gas has commenced delivery to the Bigstone gas plant where Delphi owns a 25 percent working interest.

Average production was 9,515 boe/d for the quarter, an increase of 16 percent over the corresponding period in 2017. Field condensate production in the first quarter was 2,472 bbls/d, an increase of 27 percent over the same period in 2017 and comprised 26 percent of production on a boe basis compared to 24 percent in the first quarter of 2017. The Company also produced 332 bbls/d of plant condensate, representing 23 percent of its reported 1,418 bbls/d of NGL production. While comprising 26 percent of production, field condensate generated 48 percent of crude oil and natural gas revenues. Similarly, field condensate and NGL production in the first quarter accounted for 41 percent of total production and 65 percent of crude oil and natural gas revenues.

Quarterly crude oil and natural gas revenues were $32.7 million, an increase of 27 percent over 2017 due to increased production and higher condensate and NGL realized prices.

The operating netback before hedging was $21.42 per boe in the quarter, an increase of 25 percent over the comparative quarter in 2017, while the corresponding cash netback was $16.22 per boe. After a hedging loss of $2.87 per boe, the operating and cash netbacks were $18.55 and $13.35 per boe, respectively. Quarterly adjusted funds flow increased 43 percent from the prior year to $11.4 million or $0.06 per basic and diluted share.

Bank debt at the end of the quarter was $45.7 million and outstanding letters of credit were $7.4 million, leaving $41.9 million available to be drawn on the Company's senior bank credit facility.

NATURAL GAS MARKETING AND HEDGING

Delphi has a total of 57 million cubic feet per day ("mmcf/d") of firm and priority interruptible service on the Alliance pipeline system and 24 mmcf/d of firm service on the NGTL pipeline system. In the first quarter, Delphi sold approximately 90 percent of its natural gas in the Chicago market via its firm service on Alliance and realized an average price of $3.74 per mcf compared to an AECO price of $2.08 per mcf. Delphi also generated $1.25 per boe of marketing income from the excess service it holds on Alliance through a combination of temporary assignment to other shippers at a premium over cost or through the purchase of natural gas in Alberta or British Columbia for sale in Chicago.

Natural gas volumes from the recently commissioned amine facility will initially be sold on the NGTL system and as a result the proportion of natural gas sales on the Alliance system will be reduced to approximately 80 percent. The net impact on adjusted funds flow will be positive as the lower realized natural gas price into the AECO market will be more than offset by lower transportation costs, higher marketing income from the increase in excess Alliance service and lower operating costs realized by sweetening gas and processing it at the Bigstone natural gas plant (25 percent Delphi) versus third-party processing. The Company will start shipping the amine sweetened gas volumes on Alliance once the reactivation of the Alliance lateral pipeline from the Bigstone natural gas plant is completed.

Approximately 70 percent of the expected Chicago sales volumes in the last nine months of 2018 are hedged with NYMEX Henry Hub gas swaps for an average of 19,788 million British thermal units per day ("mmbtu/d") at an average price of US$3.03 or C$3.85 per million British thermal units ("mmbtu"), based on an exchange rate of 1.27 CAD per USD.

As a hedge to condensate and other natural gas liquids prices that are correlated to WTI crude oil prices, Delphi has an average of 2,233 bbls/d of WTI swaps in 2018 with an average fixed price of C$72.00 per barrel.

OPERATIONS UPDATE

Delphi completed six (3.9 net) wells in the first quarter of 2018 which, along with one (0.65 net) well completed in December 2017, resulted in seven (4.6 net) wells to be put on production in the first half of 2018. Four (2.6 net) of these wells were brought on production late in the first quarter of 2018. The full impact of these production additions will be realized in the second quarter. Since the end of the quarter, two (1.3 net) wells were brought on stream through the Company's 7-11 compression, dehydration and new amine facility. In addition, the West Bigstone 16-10-60-24W5 well was brought on stream in May through the Company's 100 percent owned Negus gas plant.

The Company's recently commissioned Phase I Amine processing facility, capable of sweetening up to 17 mmcf/d of gross raw Montney natural gas, has commenced delivering sweetened Montney gas to the under-utilized 85 mmcf/d Bigstone sweet natural gas plant (Delphi 25 percent working interest) for final processing. The new facility will reduce operating costs on that production stream by approximately $0.80 per mcf. Corporately, operating cost savings of approximately $0.70 per boe are forecast. The amine facility is part of the Company's long term strategy to diversify its processing options, which now include the SemCAMS K3 (sour), Repsol Edson (sour), Delphi Bigstone (sweet), and Delphi Negus (sweet) processing facilities.

The 15-19-59-23W5 well ("15-19") drilled to evaluate Delphi's central land block within the Bigstone Montney asset achieved an average production rate over the first 30 days on production of 1,828 boe/d (62 percent liquids). The average field condensate rate over this time period was 950 bbls/d, exceeding the previous two best condensate rates in section 21-60-23W5 by 27 percent. Over the first 60 days on production the 15-19 well has produced approximately 43,700 barrels of field condensate.

OUTLOOK AND 2018 GUIDANCE

The Company views the successful delineation drilling that is yielding higher field condensate to natural gas ratios as very positive with an expectation of continued margin growth and enhanced return on capital. In addition, utilizing Delphi's existing 100 percent owned Negus sweet gathering and processing infrastructure along with the commissioning of the Phase I amine processing facility in East Bigstone fully integrates the Company's overall infrastructure platform in the area resulting in material cost savings.

With all seven (4.6 net) new wells on production, Delphi looks to formalize its second half 2018 capital program later in the second quarter allowing time to evaluate production performance to best plan the second half of the 2018 drilling program. The Company anticipates starting the second half drilling program in July with two rigs offsetting the recent successes as well as further delineation drilling in West Bigstone.

Delphi's previously announced production and adjusted funds flow guidance for the first half 2018 remain largely unchanged, with condensate yields trending higher than originally forecast. The following table highlights the major assumptions with respect to Delphi's guidance for the first half of 2018 and the second quarter forecast.

	2018 First Half Guidance	Q1 Actuals	Q2 Forecast
Net Capital Program ($ million)	$38 - $45	$41.2	$5.5 - $6.0
Gross Well Count Drilled (net)	4 (2.6)	4 (2.6)	0
Gross Well Count On Production (net)	5 (3.3) – 7 (4.6)	4 (2.6)	3 (2.0)

	2018 First Half Guidance(1)	Q1 Actuals	Q2 Forecast(2)
Average Production (boe/d)	9,800 – 10,200	9,515	10,600 – 11,000
Natural Gas (mmcf/d)	35.0 – 37.0	33.7	37.0 – 39.0
Field Condensate (bbls/d)	2,450 – 2,550	2,472	2,800 – 2,900
NGL's (bbls/d)	1,470 – 1,530	1,418	1,550 – 1,650
Percent Liquids (%)	40	41	41
Adjusted Funds Flow ("AFF") ($ million)	$25.0 - $27.0	$11.4	$14.5 - $15.5
Operating Netback ($/boe, before hedging)	$21.50	$21.42	$21.70
Cash Netback ($/boe)	$14.25	$13.35	$15.10
Net Debt (3) ($ million)	$149 –$154	$166.4	$156 –$158
Net Debt / AFF (annualized)	2.9 – 3.0	3.6	2.5 – 2.7

(1) Based on WTI crude oil price of $62 per barrel, NYMEX Henry Hub natural gas price of $2.80 per mmbtu and FX of 1.27 CAD per USD.
(2) Based on WTI crude oil price of $65 per barrel, NYMEX Henry Hub natural gas price of $2.80 per mmbtu and FX of 1.27 CAD per USD.
(3) Net debt is defined as the sum of bank debt, senior secured notes and the long term portion of unutilized take-or-pay contract plus (minus) the working capital deficit (surplus) excluding the current portion of the fair value of the financial instruments.

Delphi remains well positioned with a high quality resource base supported by strategic infrastructure and a large drilling inventory, a strategic "long Alliance Chicago" natural gas marketing strategy, and a strong commodity hedge position.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Delphi Energy Corp. ("Delphi" or the "Company") is an oil and gas company based in Calgary, Alberta, focused on the exploration, development, and production of crude oil, natural gas and natural gas liquids from properties located in Western Canada. Delphi's operations are concentrated in the Deep Basin of Northwest Alberta. The Company's common shares, senior secured notes, and warrants are listed on the Toronto Stock Exchange ("TSX") under the symbol "DEE", "DEE.NT", and "DEE.WT", respectively. Additional information about Delphi is available on the Canadian Securities Administrators' System for Electronic Distribution and Retrieval (SEDAR) at www.sedar.com and at the Company's website at www.delphienergy.ca.

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. The discussion and analysis has been prepared as of May 8, 2018. The discussion and analysis is a review of the financial position and results of operations of the Company. Its focus is primarily a comparison of the financial performance for the three months ended March 31, 2018 and 2017 and should be read in conjunction with the unaudited condensed consolidated interim financial statements and accompanying notes for the three months ended March 31, 2018 and 2017 and the audited consolidated financial statements and accompanying notes for the year ended December 31, 2017 and the related MD&A. The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The reporting currency is the Canadian dollar.

FIRST QUARTER 2018 ACCOMPLISHMENTS

- Drilled four (2.6 net) successful wells as part of the Company's capital program and completed, tied-in and brought on production four (2.6 net) Montney wells in Bigstone- two (1.3 net) in February and two (1.3 net) in the last week of March;

- Produced 9,515 barrels of oil equivalent per day ("boe/d") in the first quarter of 2018, a 16 percent increase from 8,198 boe/d in the comparative quarter of 2017;

- Increased field condensate production by 27 percent to 2,472 barrels per day ("bbls/d") and natural gas liquids by nine percent to 1,418 bbls/d in comparison to the first quarter of 2017;

- Increased natural gas liquids and field condensate yields to 115 barrels per million cubic feet ("bbls/mmcf"), up six percent from the 109 bbls/mmcf in the comparative quarter of 2017 and up eleven percent from the 104 bbls/mmcf in the fourth quarter of 2017. Field and plant condensate yields are 83 bbls/mmcf, or 72 percent of the 115 bbls/mmcf;

- Field condensate and natural gas liquids accounted for 65 percent of crude oil and natural gas revenues;

- Realized a natural gas price before risk management contracts of $3.74 per thousand cubic feet ("mcf") compared to an AECO price of $2.08 per mcf as a result of selling approximately 90 percent of our natural gas in Chicago, Illinois, via full-path transportation arrangements;

- Added $1.25 per barrel of oil equivalent ("boe") to cash netback from marketing income generated from excess firm Alliance transportation service; and

- Cash netbacks per boe increased by 23 percent over the comparative quarter resulting in adjusted funds flow of $11.4 million, a 43 percent increase over the first quarter of 2017.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended March 31		
	2018	2017	% Change
Financial			
($ thousands, except per share)			
Oil and natural gas revenues	**32,675**	25,671	27
Net earnings (loss)	**(4,466)**	8,156	(155)
Per share – basic and diluted	**(0.02)**	0.05	(140)
Adjusted funds flow(1)	**11,428**	7,970	43
Per share – basic and diluted(1)	**0.06**	0.05	20
Net debt(1)	**166,436**	108,367	54
Capital expenditures, net of dispositions	**41,165**	30,055	37
Weighted average shares (000s)			
Basic	**185,547**	156,790	18
Diluted	**185,547**	159,775	16
Operating			
(boe conversion – 6:1 basis)			
Production:			
Field condensate (bbls/d)	**2,472**	1,940	27
Natural gas liquids (bbls/d)	**1,418**	1,302	9
Natural gas (mcf/d)	**33,747**	29,737	13
Total (Boe/d)	**9,515**	8,198	16
Average realized sales prices, before financial instruments			
Field condensate ($/bbl)	**69.97**	60.85	15
Natural gas liquids ($/bbl)	**43.93**	32.23	36
Natural gas ($/mcf)	**3.74**	4.18	(11)
Netbacks ($/boe)			
Crude oil and natural gas revenues	**38.16**	34.79	10
Marketing income (1)	**1.25**	-	-
Realized loss on financial instruments	**(2.87)**	(0.62)	363
Revenue, after realized financial instruments	**36.54**	34.17	7
Royalties	**(3.05)**	(3.26)	(6)
Operating expense	**(9.48)**	(8.80)	8
Transportation expense	**(5.46)**	(5.63)	(3)
Operating netback(1)	**18.55**	16.48	13
General and administrative expenses	**(1.63)**	(2.98)	(45)
Interest	**(3.38)**	(2.69)	26
Settlement of unutilized take-or-pay contract	**(0.19)**	-	-
Cash netback (1)	**13.35**	10.81	23

(1) Refer to non–GAAP measures

DRILLING OPERATIONS

	Three Months Ended March 31, 2018	
	Gross	Net
Wells drilled	4	2.6
Success rate (%)	100	100

In the first three months of 2018, Delphi drilled four (2.6 net) wells in the Montney formation at Bigstone. In comparison, Delphi drilled four (2.6 net) wells in the first three months of 2017 which were also focused on the Bigstone Montney formation.

CAPITAL EXPENDITURES

	Three Months Ended March 31		
	2018	2017	% Change
Land	**15**	2,088	(99)
Drilling, completions and equipping	**32,451**	22,931	42
Facilities	**8,189**	4,333	89
Capitalized expenses	**555**	737	(25)
Other	**25**	12	150
Capital invested	**41,235**	30,101	37
Disposition of properties	**(70)**	(46)	52
Total capital	**41,165**	30,055	37

During the first quarter of 2018, Delphi invested $41.2 million, of which 79 percent was on drilling and completion operations. Delphi drilled four (2.6 net) wells and performed completion operations on six (3.9 net) wells in its Bigstone area. The Company directed 20 percent of its capital invested to facilities which includes the construction of the Company's amine processing facility. The amine processing facility was commissioned during the second quarter and is capable of sweetening up to 17 million cubic feet per day ("mmcf/d") of gross raw Montney natural gas prior to routing it through its 25 percent owned Bigstone sweet natural gas plant for final processing.

As of March 31, 2018, Delphi has a working interest in a total of 119.5 gross (79.0 net) sections of undeveloped land as part of 169.5 gross (111.3 net) sections of total land prospective for liquids-rich natural gas in the Montney formation, situated at its core area of Bigstone.

PRODUCTION

	Three Months Ended March 31		
	2018	2017	% Change
Field condensate (bbls/d)	**2,472**	1,940	27
Ethane (bbls/d)	**7**	4	75
Propane (bbls/d)	**649**	582	12
Butane (bbls/d)	**430**	404	6
Pentanes & plant condensate (bbls/d)	**332**	312	6
Total field condensate and natural gas liquids	**3,890**	3,242	20
Natural gas (mcf/d)	**33,747**	29,737	13
Total (boe/d)	**9,515**	8,198	16

Production volumes in the first quarter of 2018 averaged 9,515 boe/d, a 16 percent increase over the comparative quarter in 2017 and comparable to the 9,588 boe/d in the fourth quarter of 2017. Total field condensate and natural gas liquids increased 20 percent from the comparative quarter in 2017 as a result of increased Montney natural gas liquids and field condensate yields from new wells. During the first quarter of 2018, Delphi brought on-stream four (2.6 net) wells - two (1.3 net) in February and two (1.3 net) in the last week of March. The Company's natural gas liquids and field condensate yields have increased from 109 barrels bbls/mmcf in the first quarter of 2017 to 115 bbls/mmcf in the first quarter of 2018. Field and plant condensate yields have increased from 76 bbls/mmcf to 83 bbls/mmcf.

Delphi's production portfolio for the first quarter of 2018 was weighted 26 percent to field condensate, 15 percent to natural gas liquids and 59 percent to natural gas on a boe basis. This compares to a production portfolio for the comparative quarter in 2017 weighted 24 percent to field condensate, 16 percent to natural gas liquids and 60 percent to natural gas on a boe basis.

BUSINESS ENVIRONMENT

Benchmark Prices and Economic Parameters

	Three Months Ended March 31		
	2018	2017	% Change
Natural Gas			
NYMEX (US $/mmbtu)	**2.98**	3.31	(10)
Chicago City Gate (US $/mmbtu)	**3.24**	3.40	(5)
AECO (CDN $/mcf)	**2.08**	2.70	(23)
Crude Oil			
West Texas Intermediate (US $/bbl)	**62.89**	51.86	21
Edmonton Light (CDN $/bbl)	**72.15**	63.91	13
Condensate to Edmonton Light Differential (CDN $/bbl)	**0.28**	0.46	(39)
Foreign Exchange			
Canadian to U.S. dollar	**0.79**	0.76	4
U.S. to Canadian dollar	**1.27**	1.32	(4)

Natural Gas

Delphi ships approximately 90 percent of its natural gas production through the Alliance pipeline system into the Chicago market. Accordingly, Chicago City Gate is the primary benchmark for Delphi's natural gas sales in the United States. The remainder of Delphi's natural gas production is sold in Alberta on the NGTL system. The AECO 5A price is the primary benchmark for the Company's natural gas sales in Alberta.

The Chicago City Gate benchmark natural gas price for the three months ended March 31, 2018 decreased five percent in comparison to the same period in 2017 primarily due to a warmer winter than expected. The average AECO benchmark natural gas price weakened compared to the first quarter of 2017 due to higher natural gas supply in Alberta and reduced export capabilities.

Natural Gas Liquids

Natural gas liquids include ethane, propane, butane, pentane, and plant condensate and are generally priced off light oil and natural gas prices. Ethane prices are correlated to natural gas prices while propane and butane prices trade at a discount to light oil prices depending on supply/demand conditions. Natural gas liquids pricing has generally been supported by improvements in West Texas Intermediate ("WTI").

Crude Oil

All of Delphi's condensate production is delivered and sold in Edmonton, Alberta through Pembina's pipeline systems. The price that Delphi receives for its condensate is primarily driven by the price of WTI, adjusted for changes in foreign exchange rates, transportation costs and quality differentials.

The average WTI benchmark price improved 21 percent in the first quarter of 2018 compared with the first three months of 2017. Compliance with the production cuts as outlined in the fourth quarter of 2016 by the Organization of Petroleum Exporting Countries ("OPEC") and Russia, have improved the global supply and demand fundamentals.

Canadian prices experienced a widening basis differential. Edmonton Light averaged $72.15 per barrel in the first quarter of 2018, up 13 percent compared to the same period in 2017.

Canadian/United States Exchange Rate

The value of the Canadian dollar against its U.S. counterpart averaged U.S. $0.79 for the three months ended March 31, 2018, a four percent increase in comparison to the same period in 2017. As a producer of natural gas sold in the United States, an increase in the Canadian dollar has a negative effect on the price received for production.

REALIZED SALES PRICES

	Three Months Ended March 31		
	2018	2017	% Change
AECO ($/mcf)	**2.08**	2.70	(23)
Chicago to AECO differential (Cdn$/mcf)	**2.03**	1.79	13
Heating content and marketing ($/mcf)	**(0.37)**	(0.31)	19
Realized price before risk management contracts ($/mcf)	**3.74**	4.18	(11)
Realized loss on financial contracts ($/mcf)	**(0.20)**	(0.07)	186
Realized natural gas price ($/mcf)	**3.54**	4.11	(14)
Edmonton Light ($/bbl)	**72.15**	63.91	13
Condensate to Edmonton Light Differential ($/bbl)	**0.28**	0.46	(39)
Differential ($/bbl)	**(2.46)**	(3.52)	(30)
Realized price before risk management contracts ($/bbl)	**69.97**	60.85	15
Realized loss on financial contracts ($/bbl)	**(8.34)**	(1.47)	467
Realized field condensate price ($/bbl)	**61.63**	59.38	4
Realized natural gas liquids price ($/bbl)	**43.93**	32.23	36
Total realized sales price ($/boe)	**35.29**	34.17	3

For the three months ended March 31, 2018, Delphi's combined realized sales price increased three percent to $35.28 per boe from the $34.17 per boe realized in the same quarter of 2017.

For the three months ended March 31, 2018, Delphi's realized natural gas price before risk management contracts decreased eleven percent in comparison to the same period in 2017 primarily due to a decrease in AECO and Chicago City Gate benchmark pricing.

Realized field condensate prices before risk management contracts were 15 percent higher in the three months ended March 31, 2018, compared to the same period in 2017. Edmonton Light increased 13 percent as a result of an improvement in the global crude oil supply and demand imbalance.

Delphi's realized natural gas liquids price for the three months ended March 31, 2018 increased 36 percent compared to the same period in 2017 as a result of improved benchmark prices for propane, butane and plant condensate.

RISK MANAGEMENT ACTIVITIES

Delphi enters into financial commodity contracts as part of its risk management program to manage commodity price fluctuations designed to protect cash flows through to simple payout on the drilling and completion portion of its capital program.

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).

Natural Gas Contracts

Time Period	Type of Contract	Quantity Contracted	Average Price ($/unit)		Reference
January 2017 – December 2018	Financial - Swap	3,000 mmbtu/d	$2.77	U.S.	NYMEX
April 2017 – October 2018	Financial - Swap	2,500 mmbtu/d	$4.16	Cdn	NYMEX
January 2018 – December 2018	Financial - Swap	3,000 mmbtu/d	$4.01	Cdn	NYMEX
January 2018 – December 2018	Financial - Swap	2,500 mmbtu/d	$4.17	Cdn	NYMEX
January 2018 – December 2019	Financial - Swap	2,000 mmbtu/d	$4.02	Cdn	NYMEX
January 2018 – December 2019	Financial - Swap	5,000 mmbtu/d	$3.84	Cdn	NYMEX
February 2018 – October 2018	Financial - Swap	3,000 mmbtu/d	$2.71	U.S.	NYMEX

Crude Oil Contracts

Time Period	Type of Contract	Quantity Contracted	Price ($/unit)	Reference
January 2017 – December 2019	Financial - Swap	300 bbls/d	$70.00 Cdn	WTI
October 2017 – June 2018	Financial - Swap	200 bbls/d	$65.05 Cdn	WTI
January 2018 – March 2018	Financial - Swap	100 bbls/d	$64.85 Cdn	WTI
January 2018 – June 2018	Financial - Swap	200 bbls/d	$64.65 Cdn	WTI
January 2018 – December 2018	Financial - Swap	250 bbls/d	$71.60 Cdn	WTI
January 2018 – December 2018	Financial - Swap	250 bbls/d	$72.00 Cdn	WTI
January 2018 – December 2018	Financial - Swap	300 bbls/d	$70.70 Cdn	WTI
February 2018 – December 2018	Financial - Swap	500 bbls/d	$73.95 Cdn	WTI
February 2018 – December 2018	Financial - Swap	500 bbls/d	$73.95 Cdn	WTI
January 2019 – June 2019	Financial - Swap	400 bbls/d	$74.80 Cdn	WTI
January 2019 – December 2019	Financial - Swap	300 bbls/d	$56.20 U.S.	WTI

Basis Differential Contracts

Delphi ships 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 basis on a portion of its natural gas sales in the Chicago market.

Time Period	Type of Contract	Quantity Contracted	Differential (U.S. $/unit)
January 2018 – December 2018	Financial - Swap	4,000 mmbtu/d	($0.215)
January 2018 – December 2018	Financial - Swap	4,000 mmbtu/d	($0.208)
January 2018 – December 2018	Financial - Swap	4,000 mmbtu/d	($0.200)
January 2018 – December 2018	Financial - Swap	4,000 mmbtu/d	($0.180)
April 2018 – March 2019	Financial - Swap	4,000 mmbtu/d	($0.235)

U.S Forward Exchange contracts

Delphi sells the majority of its natural gas in the Chicago market in U.S. dollars. In order to mitigate the U.S. to Canadian dollar fluctuation, Delphi has entered into the following U.S. dollar forward exchange contracts:

Time Period	Average Notional U.S. $	Average Exchange Rate (U.S.$ to Cdn$)
May 2015 – December 2018	250.0	1.2574
January 2018 – December 2018	800.0	1.2805
January 2018 – December 2018	400.0	1.2820
April 2018 – December 2018	100.0	1.2935
January 2019 – December 2019	500.0	1.2860
January 2019 – December 2019	115.0	1.2965

Fair value of Delphi's risk management contracts

The fair value of the financial contracts outstanding as at March 31, 2018 is estimated to be a net liability of $4.0 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 period having regard to forward prices and market values provided by independent sources. Due to the inherent volatility in commodity prices, foreign exchange and interest rates, actual amounts realized may differ from these estimates.

For the three months ended March 31, 2018, Delphi recorded an unrealized loss on its risk management contracts of $4.9 million due to an increase in the benchmark price for oil price futures relative to Delphi's fixed contract positions. The unrealized loss recognized for the three months ended March 31, 2018 is the difference between the fair values of the risk management contracts outstanding as at March 31, 2018 and the fair values as at December 31, 2017. For the three months ended March 31, 2018, the risk management contracts resulted in a realized loss of $2.5 million primarily due to lower average pricing for the Company's crude oil risk management contracts relative to the benchmark commodity prices in the quarter.

REVENUE

	Three Months Ended March 31		
	2018	2017	% Change
Natural gas	**11,364**	11,201	1
Field condensate	**15,567**	10,626	46
Natural gas liquids	**5,608**	3,777	48
Sulphur	**136**	67	103
Total	**32,675**	25,671	27

Delphi generated revenue of $32.7 million in the first quarter of 2018, a 27 percent increase over the comparative period in 2017. The increase in revenues is primarily due to higher production volumes in combination with improved average sales prices (excluding gains on financial risk management contracts) for field condensate and natural gas liquids. The increase in volumes in the first quarter of 2018 from the first quarter of 2017 contributed $4.5 million of the increase in revenues and the increase in the average realized price (excluding financial risk management contracts) contributed $2.4 million of the increase. For the first quarter of 2018, field condensate and natural gas liquids contributed 65 percent of the total revenues compared to 56 percent in the same period in 2017.

MARKETING

Delphi has contracted for approximately 45.8 mmcf/d of firm transportation service and 11.4 mmcf/d of priority interruptible service on the Alliance pipeline system from Alberta to Chicago. This service is comprised of various tranches commencing December 2015 through December 2017, with provisions to renew commencing October 2020. In order to mitigate the cost of transportation service in excess of its needs, Delphi either temporarily assigns the excess service to other shippers or purchases natural gas in Alberta or British Columbia for sale in Chicago. Delphi did not have any marketing revenue or expenses in the first quarter of 2017.

	Three Months Ended March 31		
Marketing Revenue	**2018**	2017	% Change
Sale of purchased natural gas	**586**	-	-
Premiums on the assignment of service	**879**	-	-
Total	**1,465**	-	-

	Three Months Ended March 31		
Marketing Expense	**2018**	2017	% Change
Cost of purchased natural gas	**239**	-	-
Transportation of purchased natural gas	**153**	-	-
Total	**392**	-	-

Marketing Income [1]	Three Months Ended March 31 **2018**	2017	% Change
Gain (loss) on marketing of purchased natural gas	**194**	-	-
Premium on the assignment of service	**879**	-	-
Total	**1,073**	-	-
Per boe	**1.25**	-	

(1)Refer to non–GAAP measures

ROYALTIES

	Three Months Ended March 31 **2018**	2017	% Change
Crown royalties	**1,758**	1,222	44
Royalty credits	**(673)**	(380)	77
Crown royalties – net	**1,085**	842	29
Gross overriding royalties	**1,530**	1,566	(2)
Total	**2,615**	2,408	9
Per boe	**3.05**	3.26	(6)

	Three Months Ended March 31 **2018**	2017	% Change
Crown rate – before royalty credits	**5.4%**	4.8%	13
Crown rate – net of royalty credits	**3.3%**	3.3%	-
Gross overriding rate	**4.7%**	6.1%	(23)
Average rate	**8.0%**	9.4%	(15)

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

For the three months ended March 31, 2018, royalties totaled $2.6 million, compared to $2.4 million in the same period in 2017. Crown royalties increased in the three months ended March 31, 2018 as a result of higher commodity prices and production volumes in combination with a higher proportion of field condensate and natural gas liquids production. The Crown royalty rate before royalty credits increased as a result of a higher Crown royalty rate on the Company's field condensate production from wells drilled under the Modern Royalty Framework. The Modern Royalty Framework came into effect January 1, 2017 and currently imposes a five percent royalty rate on all products until certain conditions are met. Production from wells drilled prior to 2017 are subject to different royalty incentive programs which impose a five percent royalty rate on all products until certain conditions are met and then provide for a zero percent royalty burden on field condensate until certain limitations set out in the framework are met. Royalty credits, the cost of processing the Crown's share of natural gas production, increased 77 percent in the three months ended March 31, 2018 compared to the same period in 2017. The first quarter of 2017 included a reduction to royalty credits related to a prior period. The Crown royalty credits are largely based on the amortization of historical capital and operating costs of gas facilities and do not fluctuate based on commodity prices.

Gross overriding royalties decreased two percent in the first three months of 2018 compared to the same period in 2017 as production from wells encumbered with a gross overriding royalty decreased due to natural declines partially offset by an increase in benchmark prices. The gross overriding royalty rate decreased 23 percent as additional sales volumes are not encumbered with a gross overriding royalty.

OPERATING EXPENSES

	Three Months Ended March 31		
	2018	2017	% Change
Production costs	**8,311**	6,632	25
Processing recoveries	**(191)**	(139)	37
Total	**8,120**	6,493	25
Per boe	**9.48**	8.80	8

Operating expenses for the first three months of 2018 increased 25 percent, or eight percent per boe, in comparison to the same period in 2017. The increase in production costs is primarily due to higher trucking activity related to produced frac water from new wells brought on-stream, an increase in processing and gathering fees due to higher production volumes and additional emulsion treatment costs for the higher field condensate production volumes.

Delphi recovers processing costs on partner production volumes going through facilities it owns. The processing recoveries represent a reduction of the Company's costs to operate these facilities and hence is deducted in determining operating expenses. Processing recoveries in the three months ended March 31, 2018 are comparable to the same period in 2017.

TRANSPORTATION EXPENSES

	Three Months Ended March 31		
	2018	2017	% Change
Transportation	**4,673**	4,157	12
Per boe	**5.46**	5.63	(3)

For the three months ended March 31, 2018, transportation expenses increased twelve percent in comparison to the same period in 2017 and decreased three percent per boe. The increase in transportation costs is primarily due to additional condensate trucking charges due to higher production volumes, higher natural gas transportation as Delphi increased natural gas sales by 13 percent and an increase in capacity commitment on the Alliance pipeline since the first quarter of 2017. Delphi mitigates its excess natural gas transportation by assigning it to a third party and collecting a premium for the assignment or by purchasing third party natural gas in Alberta or British Columbia and selling it at Chicago (see Marketing above for further details).

GENERAL AND ADMINISTRATIVE

	Three Months Ended March 31		
	2018	2017	% Change
Gross expenses	**1,952**	2,939	(34)
Capitalized	**(555)**	(737)	(25)
General and administrative expenses	**1,397**	2,202	(37)
Per boe	**1.63**	2.98	(45)

General and administrative expenses (after capitalization) for the three months ended March 31, 2018 were 37 percent lower compared to the same period in 2017. Gross expenses in 2018 are 34 percent lower than the comparative period largely due to employee termination payments in the first quarter of 2017 and reduced office rent in 2018 as the Company moved offices during the third quarter of 2017. Capitalized general and administrative expenses decreased over the comparative period primarily due to reduced expenses.

SHARE-BASED COMPENSATION

	Three Months Ended March 31		
	2018	2017	% Change
Share-based compensation – Options	**283**	296	(4)
Share-based compensation – RSUs	**-**	(46)	(100)
Capitalized costs	**(72)**	(96)	(25)
Net	**211**	154	37
Per boe	**0.25**	0.21	18

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 4 percent for the three months ended March 31, 2018 as compared to the first quarter of 2017. Share-based compensation expense related to the Company's RSUs decreased in the three months ended March 31, 2018 in comparison to the same periods in 2017 as the remaining restricted share units fully vested during the third quarter of 2017.

Capitalized share-based compensation decreased in the three months ended March 31, 2018 compared to the same period in 2017 as a result of no expense related to restricted share units.

FINANCE COSTS

	Three Months Ended March 31		
	2018	2017	% Change
Interest	**2,893**	1,986	46
Accretion of decommissioning liabilities	**129**	94	37
Finance charges	**439**	373	18
Total finance costs	**3,461**	2,453	41
Interest per boe	**3.38**	2.69	26
Accretion per boe	**0.15**	0.13	15
Finance charges per boe	**0.51**	0.51	-

Interest charges on Delphi's bank debt and senior secured notes in the three months ended March 31, 2018 increased 46 percent over the comparative period in 2017. The increase in interest expense is due to an additional $30.0 million of 10 percent senior secured notes that were issued during the second quarter of 2017 and a higher average bank debt balance in the first quarter of 2018 compared to the first quarter of 2017.

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

The accretion of decommissioning obligations is an expense that relates to the passing of time until the Company estimates it will retire its assets and restore the asset locations to a condition which meets or exceeds environmental standards. Due to the long term nature of certain assets of the Company, this accretion expense is estimated to extend over a term of one to 39 years. The increase in accretion expense in the three months ended March 31, 2018 compared to the same period in 2017 is due to the higher risk free interest rates used to calculate the expense and a higher decommissioning obligation.

Finance charges include the amortization of transaction costs related to the issue of senior secured notes and the accretion of the debt to its face value. The increase in finance charges in the three months ended March 31, 2018 over the comparative period in 2017 is due to a higher balance of outstanding debt subject to amortization and accretion.

DEPLETION AND DEPRECIATION

	Three Months Ended March 31		
	2018	2017	% Change
Depletion and depreciation	**10,482**	7,942	32
Depletion and depreciation per boe	**12.24**	10.76	14

Depletion and depreciation for the three months ended March 31, 2018 increased 32 percent in comparison to the three months ended March 31, 2017. The increase in the depletion expense is principally due to higher production volumes in combination with a higher depletion rate.

INCOME TAXES

Delphi has concluded that it is not probable that the deferred income tax asset will be realized and as a result, it has not been recognized at March 31, 2018. Therefore, no deferred income tax recovery was recorded.

Delphi does not have current income taxes payable and does not expect to pay current income taxes in 2018 as the Company had estimated tax pools available at March 31, 2018 of $423.4 million (December 31, 2017 – $393.6 million).

ADJUSTED FUNDS FLOW

	Three Months Ended March 31		
	2018	2017	% Change
Cash flow from operating activities	**27,109**	9,726	179
Decommissioning expenditures	**-**	1,208	-
Change in non-cash working capital	**(15,681)**	(2,964)	429
Adjusted funds flow(1)	**11,428**	7,970	43

(1) Refer to non–GAAP measures

Delphi's cash flow from operating activities increased from $9.7 million in the first quarter of 2017 to $27.1 million in the first quarter of 2018. Adjusted funds flow increased 43 percent over the same comparative period primarily due to higher realized prices in combination with higher production volumes, marketing income and reduced general and administrative costs. Increased operating, transportation and finance costs partially offset the increase in cash flow from operating activities and adjusted funds flow.

CASH NETBACK AND EARNINGS ANALYSIS

	Three Months Ended March 31		
	2018	2017	% Change
Net earnings (loss)	**(4,466)**	8,156	(155)
Per boe	**(5.22)**	11.05	(147)
Per basic and diluted share	**(0.02)**	0.05	(140)

Delphi recorded a net loss of $4.5 million ($0.02 per basic and diluted share) in the first quarter of 2018, down from the $8.2 million net earnings in the first quarter of 2017. The net loss is primarily due to unrealized losses on risk management contracts and higher depletion and depreciation partially offset by an increase in adjusted funds flow.

Barrels of oil equivalent ($/boe)	Three Months Ended March 31 2018	2017	% Change
Realized sales price	**38.16**	34.79	10
Marketing income [1]	**1.25**	-	-
Royalties	**(3.05)**	(3.26)	(6)
Operating expenses	**(9.48)**	(8.80)	8
Transportation	**(5.46)**	(5.63)	(3)
Operating netback before risk management contracts[1]	**21.42**	17.10	25
Realized gain (loss) on risk management contracts	**(2.87)**	(0.62)	363
Operating netback [1]	**18.55**	16.48	13
General and administrative expenses	**(1.63)**	(2.98)	(45)
Interest	**(3.38)**	(2.69)	26
Settlement of unutilized take-or-pay contract	**(0.19)**	-	-
Cash netback [1]	**13.35**	10.81	23

(1) Refer to non–GAAP measures

Delphi continues to focus its drilling on high margin, liquids-rich natural gas prospects in order to strengthen its operating and cash netback per boe.

Delphi's cash netback per boe for the three months ended March 31, 2018 increased 23 percent compared to the same period in 2017. The increase in the cash netback is largely attributed to higher realized sales prices and marketing income and lower general and administrative costs.

LIQUIDITY AND CAPITAL RESOURCES

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, issuance of senior secured notes 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 adjusted funds flow 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 continues to result in a challenging environment for the energy sector. 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.

Net Debt

	March 31, 2018	December 31, 2017
Bank debt	**45,696**	26,878
Senior secured notes [1]	**84,076**	83,642
Long term portion of unutilized take-or-pay contract	**706**	867
Adjusted working capital deficiency[3]	**35,958**	25,034
Net debt[2][3]	**166,436**	136,421

(1) $90.0 million maturity value for senior secured notes
(2) Net debt excludes $7.4 million and $7.3 million as at March 31, 2018 and December 31, 2017, respectively, of outstanding letters of credit
(3) Refer to non-GAAP measures

As at March 31, 2018, Delphi had $45.7 million outstanding in the form of bankers' acceptances, $84.1 million in senior secured notes, $0.7 million in the long term portion of an unutilized take-or-pay contract and a working capital deficit of $36.0 million for net debt of $166.4 million. As at March 31, 2018, Delphi had $41.9 million (net of outstanding letters of credit) available to be drawn on the senior credit facility.

Senior Credit Facility

The Company's $95.0 million senior 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 May 29, 2018 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 30, 2019. The non-extension provisions are applicable to the lenders on an individual basis. The borrowing base of the facilities will be based on the lenders' 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 1.0 percent to a maximum of the bank's prime rate or U.S. base rate plus 3.0 percent or from a minimum of bankers' acceptances or LIBOR rate plus a stamping fee of 2.0 percent to a maximum of bankers' acceptances rate plus a stamping fee of 4.0 percent.

The senior 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 the following financial covenants:

Financial covenant	**Requirement**	**As at March 31, 2018**
Adjusted working capital ratio	$\geq$ 1.0	1.1
Adjusted bank debt to EBITDA ratio	$\leq$ 3.0	0.9
Adjusted debt to EBITDA ratio	$\leq$ 4.0	2.2

Adjusted working capital ratio [1]	**As at March 31, 2018**
Current assets	41,452
Undrawn portion of senior credit facility	41,948
	83,400
Current liabilities	81,658
Exclusion of the current fair value of financial instruments	(4,248)
	77,410
Adjusted working capital ratio	1.1

(1) Refer to non-GAAP measures

Adjusted bank debt to EBITDA ratio [(1)]	**As at March 31, 2018**
Bank debt	45,696
Unutilized take-or-pay contract	1,348
Outstanding letters of credit	7,356
Adjusted bank debt	54,400
Annualized EBITDA	62,257
Adjusted bank debt to EBITDA ratio	0.9

(1) Refer to non-GAAP measures

Adjusted debt to EBITDA ratio [(1)]	**As at March 31, 2018**
Adjusted bank debt	54,400
Senior secured notes	84,076
Adjusted debt	138,476
Annualized EBITDA	62,257
Adjusted debt to EBITDA ratio	2.2

(1) Refer to non-GAAP measures

Delphi was in compliance with all covenants as at March 31, 2018.

Senior Secured Notes

	As at March 31, 2018
Balance as at December 31, 2017	**83,642**
Accretion of discount and amortization of issue costs	**434**
Balance as at March 31, 2018	**84,076**

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. On June 7, 2017, Delphi issued an additional $30.0 million of senior secured notes through a private placement. The senior secured notes have a face value of $1,000 each and were issued at a discount to par. 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 during the twelve month period beginning on June 15 of the years indicated at the following specified redemption prices (expressed as a percentage of the principal amount): 2018 at 107.50 percent, 2019 at 105.00 percent and 2020 and thereafter at 100.00 percent. Prior to June 15, 2018, Delphi has the option to redeem up to 50 percent of the senior secured notes at a redemption price of 110.00 percent plus accrued interest with an amount of cash not greater than the net cash proceeds of certain equity offerings.

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

The senior secured notes are presented net of debt issue costs of $4.2 million and will be accreted at an effective interest rate of 12.1 percent such that the carrying amount of the senior secured notes will equal the principal amount at maturity. The senior secured notes that were issued with warrants 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 issued on June 7, 2017 were initially recognized at fair value, net of issue costs and subsequently are carried at amortized cost.

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): 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.

Share Capital

The common shares of Delphi trade on the TSX under the symbol DEE. The following table summarizes outstanding share data:

	Three Months Ended March 31, 2018
Weighted Average Common Shares (in thousands)	
Basic	**185,547**
Diluted	**185,547**
Trading Statistics (1)	
High	**1.13**
Low	**0.85**
Average daily volume (in thousands)	**87**

(1) Trading statistics based on closing price

As at May 8, 2018, the Company had 185.5 million common shares outstanding, 7.0 million stock options outstanding, and 14.7 million warrants outstanding. The stock options have an average exercise price of $1.69 per option and the warrants have an exercise price of $1.40 per warrant**.**

CONTRACTUAL OBLIGATIONS

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 364 day non-revolving term facility if not renewed. The senior secured notes mature in 2021 as discussed in the Liquidity and Capital Resources section.

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

	2018	2019	2020	2021	2022	Thereafter
Gathering, processing and transmission (1)	18,818	21,909	18,440	1,354	1,354	4,401
Office, equipment and software leases	371	445	450	457	457	1,048
Accounts payable and accrued liabilities	76,354	-	-	-	-	-
Unutilized take or pay	374	672	225	-	-	-
Risk management	4,248	312	-	-	-	-
Decommissioning obligations (2)	414	224	5,184	1,045	2,788	16,183
Interest payments on senior secured notes	6,750	9,000	9,000	4,875	-	-
Bank Debt	-	46,000	-	-	-	-
Senior secured notes	-	-	-	90,000	-	-
Total	107,329	78,562	33,299	97,731	4,599	21,632

(1) Balances denominated in U.S. dollars have been translated at the March 31, 2018 exchange rate.
(2) Amounts represent the inflated, discounted future abandonment and reclamation expenditures anticipated to be incurred over the life of the Company's properties.

GUARANTEES AND OFF-BALANCE SHEET ARRANGEMENTS

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.

SELECTED INFORMATION

Over the past two years, the changes in revenue and funds from operations from quarter to quarter primarily reflect the change in production and the volatility of commodity prices. Production has been impacted by processing plant outages, dispositions and successful drilling and production performance. Production volumes during the second quarters of 2016 and 2017 were negatively impacted by plant outages at the SemCams K3 processing facility where the Company processed all of its Montney natural gas. With the recent completion of the Company's amine processing facility, Delphi has diversified its processing options which include the SemCams K3, Repsol Edson, Delphi Bigstone and Delphi Negus processing facilities.

During the second quarter of 2016, Delphi issued $60.0 million of senior secured notes and applied the proceeds from the senior secured notes issue against its senior credit facility and repaid the subordinated debt balance of $14.2 million.

In the fourth quarter of 2016, Delphi entered into a 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 for $34.6 million in proceeds and a carry capital program where the partner contributed $20.0 million for drilling and completion costs.

During the second quarter of 2017, Delphi's lenders completed the annual review of the Company's senior credit facility and maintained the $80.0 million borrowing base. The Company closed a private placement financing on June 7, 2017, that was comprised of 27,559,055 common shares issued at a price of $1.27 per common share and 30,000 senior secured notes, each with a principal amount of $1,000 and a 10% coupon, for gross proceeds of $65.0 million. Delphi used a portion of the proceeds to repay outstanding bank debt. During the fourth quarter of 2017, Delphi's lenders completed their semi-annual review of the Company's senior credit facility and increased the borrowing base to $95.0 million.

During the first quarter of 2018, Delphi invested $41.2 million which included the drilling of four (2.6 net) wells, completion operations on six (3.9 net) wells and the construction of its amine processing facility. Production volumes remained comparable to the fourth quarter of 2017 due to lower production declines and additional production from wells brought on-stream late in the quarter partially offsetting scheduled production outages relating to new well completion operations.

Delphi's commodity risk management program continues to be an integral part of the Company's strategy to protect cash flows through to simple payout of the drilling and completions portion of its capital program.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes the Company's financial and operating results over the past eight quarters:

	Mar. 31, 2018	Dec. 31, 2017	Sep. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016
Production								
(boe conversion – 6:1 basis)								
Field condensate (bbls/d)	**2,472**	2,374	2,012	1,540	1,940	1,338	1,667	1,060
Natural gas liquids (bbls/d)	**1,418**	1,315	1,367	1,019	1,302	1,125	1,251	1,023
Natural gas (mcf/d)	**33,747**	35,391	35,603	23,551	29,737	27,988	31,923	22,311
Barrels of oil equivalent (boe/d)	**9,515**	9,588	9,313	6,484	8,198	7,127	8,239	5,802
Financial								
($ thousands, except per share)								
Crude oil and natural gas sales	**32,675**	30,896	25,107	20,162	25,671	20,546	20,331	10,942
Adjusted funds flow(1)	**11,428**	14,144	7,595	6,964	7,970	8,120	9,403	4,152
Per share – basic and diluted(1)	**0.06**	0.08	0.04	0.04	0.05	0.05	0.06	0.03
Net earnings (loss)	**(4,466)**	(1,764)	(4,010)	4,520	8,156	(25,461)	(2,274)	(18,638)
Per share – basic and diluted	**(0.02)**	(0.01)	(0.02)	0.03	0.05	(0.16)	(0.01)	(0.12)

(1) Refer to non-GAAP measures

CRITICAL ACCOUNTING ESTIMATES

The reader is advised that the critical accounting estimates, judgments, policies and practices as described in the Company's Management's Discussion and Analysis for the year ended December 31, 2017 continue to be critical in determining Delphi's financial results.

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

NEW ACCOUNTING STANDARDS

Effective January 1, 2018, Delphi adopted IFRS 9, Financial Instruments ("IFRS 9") replacing IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). The adoption of IFRS 9 did not have a material impact on our consolidated financial statements.

Effective January 1, 2018, Delphi adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15") replacing IAS 11, Construction Contracts, IAS 18, Revenue and several revenue-related interpretations. The adoption of IFRS 15 did not have a material impact on our consolidated financial statements.

Further information about changes to our accounting policies resulting from the adoption of IFRS 9 and IFRS 15 can be found in Note 3 to the interim condensed consolidated interim financial statements.

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

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.

CORPORATE GOVERNANCE

The shareholders' interests are a critical factor in the operations and management of Delphi. The Company is committed to maintaining the highest level of investor confidence in the Company through the application of its corporate policies and procedures. Delphi's Board of Directors consists of eight 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, as defined in NI 52-109, 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 Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The President and Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, internal controls over financial reporting, as defined in NI 52-109, to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles applicable to the Company. The Company's internal controls over financial reporting is based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework).

The Company is required to disclose any change in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2018 and ended on March 31, 2018 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. No material changes in the Company's internal control over financial reporting were identified during such period that has materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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

2018 OUTLOOK

Successful delineation drilling that is yielding higher field condensate to natural gas ratios is very positive and supports an expectation of continued margin growth. Higher utilization of Delphi's existing 100 percent owned Negus sweet gathering and processing plant along with commissioning of the Phase I amine processing facility in East Bigstone more fully integrates the Company's overall infrastructure platform and is expected to result in material cost savings.

Delphi intends to formalize its second half 2018 capital program later in the second quarter once it has time to further evaluate production performance of the seven (4.6 net) wells put on production in the first five months of 2018. The Company anticipates starting the second half drilling program in July with two rigs offsetting the recent successes as well as further delineation drilling in West Bigstone.

Production

Delphi completed six (3.9 net) wells in the first quarter of 2018 which, along with one (0.65 net) well completed in 2017, resulted in seven (4.6 net) wells to be put on production. Four (2.6 net) of these wells were put on production in the first quarter of 2018 - two (1.3 net) in February and two (1.3 net) in the last week of March. Production in the second quarter will be positively impacted by production of these wells over the full quarter and by the additional three completed wells coming on stream in the second quarter – two (1.3 net) in April and one (0.65 net) in May. With the contribution of these wells, the Company remains on track to meet its first half 2018 production guidance of 9,800 to 10,200 boe/d. Production is expected to be split 40 percent to liquids and 60 percent to natural gas on a boe basis.

Royalties

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. Royalties are not affected by gains or losses realized through the Company's risk management program.

Delphi pays a gross overriding royalty ("GORR") of between ten and twelve percent on 20 of its Montney wells drilled between April 2013 and January 2016. Production from these wells accounted for about 28 percent of total corporate production at the beginning of 2018, compared to about 40 percent at the start of 2017. As production from these wells continues to decrease due to natural declines and new wells are brought on-stream, the proportion of wells and production subject to the GORR will continue to reduce the overall corporate royalty rate.

For 2018, Delphi expects its royalty rate, after the deduction for royalty credits and inclusion of GORRs, to average between six and eight percent of gross revenue, excluding realized and unrealized gains or losses on commodity risk management contracts.

Operating expenses

Operating costs in the first quarter of 2018 were $9.48 per boe. In the second quarter of 2018, Delphi will commence routing up to 17 (11.0 net) mmcf/d of sweetened raw gas from its newly commissioned amine processing facility to the Bigstone sweet natural gas plant (Delphi 25% working interest) for final processing. At full capacity, this would result in a reduction of operating costs on that production stream of approximately $0.80 per mcf, which is equivalent to about $0.70 per boe of total corporate production. Delphi expects operating costs in 2018 to be between $8.50 and $9.25 per boe.

Transportation expenses

Transportation costs in the first quarter of 2018 were $5.46 per boe. The contracted rates for pipeline transportation of natural gas and natural gas liquids are fixed for 2018 and the rate for trucking field condensate is expected to remain unchanged. However, the average cost per boe of production is expected to decline throughout 2018 as a greater proportion of natural gas production will be transported on the lower cost NGTL system versus the Alliance system. The proportion of natural gas on the NGTL system will increase from approximately 10 percent in the first quarter of 2018 to approximately 30 percent in the fourth quarter of 2018. Driving this increase in NGTL volumes are the fact that the sweetened stream from the amine facility routed through the Bigstone sweet natural gas plant will initially be sold on the NGTL system until the Alliance lateral from the Bigstone plant is reactivated which is expected in 2019 and additional sweet natural gas volumes are added in West Bigstone and processed through the Company's sweet 10 mmcf/d Negus gas processing plant which is connected to NGTL.

While the Company expects a lower realized price in 2018 from sales on the NGTL system, the overall impact on netbacks will be positive due to lower operating costs on these production streams and increased marketing income from additional excess firm Alliance capacity upon which Delphi is generating marketing income.

General and administrative and finance costs

Delphi's general and administrative costs per boe in the first quarter of 2018 were $1.63. Delphi expects general and administrative costs in 2018 to be between $1.65 and $1.90 per boe.

Interest expense in 2018 is expected to be approximately $3.30 to $3.50 per boe.

NON GAAP MEASURES

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:

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.

Adjusted bank debt to EBITDA ratio – Adjusted bank debt is defined as amounts outstanding under the senior credit facility, including outstanding letters of credit. EBITDA is calculated based on the terms and definitions set out in the senior credit facility agreement which adjusts net income (loss) for financing costs, certain specific unrealized and non-cash transactions and acquisition and disposition activity. EBITDA is calculated on an annualized basis based on the last two completed quarters. This ratio is used to calculate the Company's compliance with its adjusted bank debt to EBITDA ratio covenant.

Adjusted debt to EBITDA ratio - The calculation of adjusted debt excludes accounts payable and accrued liabilities, decommissioning obligations and the fair value of financial instruments. The calculation includes outstanding letters of credit, the senior credit facility and senior secured notes. EBITDA is calculated as defined above. This ratio is used to calculate the Company's compliance with its adjusted debt to EBITDA ratio covenant.

Adjusted funds flow - cash flow from operating activities before decommissioning expenditures and changes in non-cash working capital from operating activities. Management uses adjusted funds flow 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, abandonment obligations and to repay debt. Delphi's determination of adjusted funds flow 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 flow per share – adjusted funds flow 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 – current assets and current liabilities exclude the current portion of the fair value of the financial instruments. This definition is consistent with the definition used in calculating the Company's compliance with its working capital ratio covenant and is used by the Company in determining its net debt.

Adjusted working capital ratio – current assets include the undrawn portion of the senior credit facility, less outstanding letters of credit, 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.

Marketing income - the margin earned on the sale of purchased third party natural gas volumes and premiums received on the assignment of a portion of committed capacity on the Alliance pipeline system to a third party. Management considers marketing income important measures of the Company's ability to mitigate the cost of excess committed capacity.

Net debt – the sum of bank debt, senior secured notes and the long term portion of unutilized take-or-pay contract plus (minus) the adjusted working capital deficit (surplus). Net debt is used by management to monitor the remaining availability under its credit facilities.

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 and marketing income less royalties, operating and transportation costs. Management considers operating netbacks per boe an important measure of profitability relative to current commodity prices and costs of production.

Cash netbacks - operating netbacks less interest on bank debt and senior secured notes, general and administrative costs, cash costs related to the Company's restricted share units and the settlement of the unutilized take-or-pay contract. 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.

FORWARD-LOOKING STATEMENTS

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, estimated tax pools and expectations regarding current income taxes payable by Delphi in 2018, 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, the availability of capital, 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.

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. This financial outlook is included to provide readers with an understanding of the Company's operations for 2018 and 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 risks, environmental risks, competition from others for scarce resources, the inability to access sufficient capital from internal and external sources, adverse changes in governmental regulation of the oil and gas industry and adverse 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.

DELPHI ENERGY CORP.

Condensed Consolidated Statements of Financial Position

(thousands of dollars)	**March 31, 2018**	December 31, 2017
(unaudited)		
Assets		
Current assets		
Cash and cash equivalents	**-**	708
Accounts receivable	**39,658**	47,854
Prepaid expenses and deposits	**1,794**	780
Fair value of financial instruments (Note 5)	**-**	1,043
	41,452	50,385
Fair value of financial instruments (Note 5)	**519**	896
Exploration and evaluation (Note 6)	**11,717**	12,755
Property, plant and equipment (Note 7)	**377,230**	345,486
Total assets	**430,918**	409,522
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**76,354**	73,325
Fair value of financial instruments (Note 5)	**4,248**	1,073
Provisions	**1,056**	1,051
	81,658	75,449
Bank debt (Note 8)	**45,696**	26,878
Senior secured notes (Note 9)	**84,076**	83,642
Fair value of financial instruments (Note 5)	**312**	-
Provisions	**26,130**	26,324
Total liabilities	**237,872**	212,293
Shareholders' equity		
Share capital (Note 10)	**347,011**	347,011
Warrants (Notes 9 and 10)	**3,055**	3,055
Contributed surplus	**20,910**	20,627
Deficit	**(177,930)**	(173,464)
Total shareholders' equity	**193,046**	197,229
Total liabilities and shareholders' equity	**430,918**	409,522

See accompanying notes to the condensed consolidated interim financial statements.

DELPHI ENERGY CORP.

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

(thousands of dollars, except per share amounts)	**2018**	2017
(unaudited)		
Revenues		
Crude oil and natural gas sales (Note 11)	**32,675**	25,671
Marketing revenue	**1,465**	-
Royalties	**(2,615)**	(2,408)
	31,525	23,263
Realized loss on financial instruments (Note 5)	**(2,460)**	(457)
Unrealized gain (loss) on financial instruments (Note 5)	**(4,907)**	8,905
	24,158	31,711
Expenses		
Operating	**8,120**	6,493
Transportation	**4,673**	4,157
Marketing	**392**	-
General and administrative	**1,397**	2,202
Share-based compensation	**211**	154
Gain on dispositions	**(112)**	(357)
Loss on decommissioning	**-**	513
Depletion and depreciation (Note 7)	**10,482**	7,942
	25,163	21,104
Finance costs	**3,461**	2,451
Earnings (loss) before income taxes	**(4,466)**	8,156
Income taxes		
Deferred income taxes	**-**	-
Earnings (loss) and comprehensive earnings (loss)	**(4,466)**	8,156
Net earnings (loss) per share (Note 10)		
Basic and diluted	**(0.02)**	0.05

See accompanying notes to the condensed consolidated interim financial statements.

DELPHI ENERGY CORP.

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

(thousands of dollars)	**2018**	2017
(unaudited)		
Share capital		
Common shares		
Balance, beginning of period	**347,011**	310,146
Issued on exercise of options	**-**	1,041
Transferred on exercise of options	**-**	370
Balance, end of period	**347,011**	311,557
Warrants		
Balance, beginning and end of period	**3,055**	3,055
Contributed surplus		
Balance, beginning of period	**20,627**	20,130
Share-based compensation	**283**	297
Transferred on exercise of options	**-**	(370)
Balance, end of period	**20,910**	20,057
Deficit		
Balance, beginning of period	**(173,464)**	(180,366)
Net earnings (loss)	**(4,466)**	8,156
Balance, end of period	**(177,930)**	(172,210)
Total shareholders' equity	**193,046**	162,459

See accompanying notes to the condensed consolidated interim financial statements.

DELPHI ENERGY CORP.

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

(thousands of dollars)	**2018**	2017
(unaudited)		
Cash flow from (used in) operating activities		
Net earnings (loss)	**(4,466)**	8,156
Adjustments for:		
Depletion and depreciation	**10,482**	7,942
Accretion and finance charges	**568**	467
Share-based compensation	**211**	154
Gain on dispositions	**(112)**	(357)
Loss on decommissioning	**-**	513
Unrealized loss (gain) on financial instruments	**4,907**	(8,905)
Settlement of unutilized take-or-pay contract	**(162)**	-
Decommissioning expenditures	**-**	(1,208)
Change in non-cash working capital (Note 12)	**15,681**	2,964
	27,109	9,726
Cash flow from (used in) financing activities		
Exercise of options	**-**	1,041
Increase in bank debt	**18,818**	7,013
	18,818	8,054
Cash flow available for investing activities	**45,927**	17,780
Cash flow from (used in) investing activities		
Additions to exploration and evaluation assets	**(143)**	(2,168)
Disposition of exploration and evaluation assets	**70**	-
Additions to property, plant and equipment	**(41,092)**	(27,933)
Disposition of petroleum and natural gas properties	**-**	46
Change in non-cash working capital (Note 12)	**(5,470)**	10,695
	(46,635)	(19,360)
Decrease in cash and cash equivalents	**(708)**	(1,580)
Cash and cash equivalents, beginning of period	**708**	1,580
Cash and cash equivalents, end of period	**-**	-
Cash interest paid	**3,168**	2,175

See accompanying notes to the condensed consolidated interim financial statements.

1) STRUCTURE OF DELPHI

Delphi Energy Corp. ("Delphi" or the "Company") is a publicly-traded company engaged in the exploration for, development and production of crude oil and natural gas from properties and assets located in Western Canada in which it holds an interest. The Company's operations are primarily concentrated in the Deep Basin of North West Alberta. The Company's core area in the Deep Basin is located at Bigstone, producing in excess of 95 percent of the Company's production. The head office of the Company is located at Suite 2300, 333 – 7th Avenue S.W., Calgary, Alberta, T2P 2Z1.

The condensed consolidated interim financial statements as at and for the three months ended March 31, 2018 comprise the accounts of the Company, its wholly-owned subsidiary and a partnership.

2) BASIS OF PRESENTATION

(a) Statement of compliance and authorization

These condensed consolidated interim financial statements are unaudited and prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board, and do not include all of the information and disclosures normally provided in annual financial statements and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2017.

Certain prior period amounts have been reclassified to conform with the current presentation.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on May 8, 2018.

(b) Basis of measurement and functional currency

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

(c) Use of estimates and judgments

The preparation of the condensed consolidated interim financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts in the condensed consolidated interim financial statements and accompanying notes. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be material. Actual results may differ from these estimates. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparing these condensed consolidated interim financial statements, the critical judgments that management has made in the process of applying Delphi's accounting policies and that have the most significant effect on the amounts recognized were the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2017.

3) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended December 31, 2017 with the exception of the following:

(a) Financial instruments

Effective January 1, 2018, the Company adopted IFRS 9, Financial Instruments ("IFRS 9"), which replaced IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). The Company applied the new standard retrospectively. The adoption of IFRS 9 did not have an impact on the Company's consolidated financial statements. The nature and effects of the key changes to the Company's accounting policies resulting from the adoption of IFRS 9 are summarized below.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The previous IAS 39 categories of held to maturity, loans and receivables and available for sale are eliminated. IFRS 9 bases the classification of financial assets on the contractual cash flow characteristics and the company's business model for managing the financial asset. Additionally, embedded derivatives are not separated if the host contract is a financial asset within the scope of IFRS 9. Instead, the entire hybrid contract is assessed for classification and measurement. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. The differences between the two standards did not impact the Company at the time of transition.

Impairment of financial assets

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss ("ECL") model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments measured at FVOCI. Under IFRS 9, credit losses will be recognized earlier than under IAS 39. The ECL model applies to the Company's receivables.

Transition

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 as at January 1, 2018 for each class of the Company's financial assets and financial liabilities. The Company has no contract assets or debt instruments measured at FVOCI. There were no adjustments to the carrying amounts of financial instruments as a result of the change in classification from IAS 39 to IFRS 9.

	Measurement Category	
Financial Instrument	**IAS 39**	**IFRS 9**
Cash and cash equivalents	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Financial instruments assets	FVTPL	FVTPL
Accounts payable and accrued liabilities	Financial liabilities measured at amortized cost	Amortized cost
Financial instruments liabilities	FVTPL	FVTPL
Bank debt	Financial liabilities measured at amortized cost	Amortized cost
Senior secured notes	Financial liabilities measured at amortized cost	Amortized cost

(b) Revenue from contracts with customers

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), provides a single, five-step model to be applied to all contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The standard requires an entity to recognize revenue that reflects the transfer of goods and services for the amount it expects to receive when control is transferred to the customer.

Delphi adopted IFRS 15 with a date of initial application of January 1, 2018. Delphi used the cumulative method to adopt the new standard and has applied a transitional relief to a contract that was completed in the comparative quarter. As a result of the practical expedient, no changes are made to the revenue recognized under the previous revenue standard as Delphi has transferred all of the goods or services identified during the comparative period.

Revenue from the sale of crude oil and natural gas is measured based on the consideration specified in contracts with customers. Delphi recognizes revenue when it transfers control of the product to the buyer. This is generally at the time the customer obtains legal title to the product and when it is physically transferred to the delivery mechanism agreed with the customer, often pipelines.

Delphi sells its production pursuant to variable price contracts. The transaction price for variable priced contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be variable, depending on the contract terms. Under the contracts, the Company is required to deliver a fixed or variable volume of crude oil or natural gas to the contract counterparty. Revenue is recognized when a unit of production is delivered to the contract counterparty. The amount of revenue recognized is based on the agreed transaction price with any variability in transaction price recognized in the same period. Revenues are collected on the 25th day of the month following delivery.

Delphi evaluates its arrangements with third parties and partners to determine if the Company acts as the principal or as an agent. In making this evaluation, management considers if the Company obtains control of the product delivered, which is indicated by Delphi having the primary responsibility for the delivery of the product, having the ability to establish prices or having inventory risk. If Delphi acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net-basis, only reflecting the fee, if any, realized by the Company from the transaction.

Fees charged to other entities for use of facilities owned by the Company are evaluated by management to determine if these originate from contracts with customers or from incidental or collaborative arrangements. Fees charged to other entities that are from contracts with customers are recognized in revenue when the related services are provided.

4) DETERMINATION OF FAIR VALUES

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

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

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

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

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

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

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

(b) Bank debt and senior secured notes:

The fair value disclosure of the Company's senior credit facility approximates its carrying value as it bears interest at floating rates and the applicable margin is indicative of the Company's current credit premium. In the case of the senior secured notes, the fair value is measured at level 1 of the fair value hierarchy for disclosure purposes. The senior secured notes have a fair value of $85.5 million based on March 27, 2018 trading values, the last day the senior secured notes traded in March 2018.

(c) Derivatives:

Delphi's interest rate, foreign exchange and commodity contracts are measured at level 2 of the fair value hierarchy. The fair value of commodity contracts is determined by discounting the remaining contracted petroleum and natural gas volumes multiplied by the difference between the contracted price and published forward price curves as at the consolidated financial position date.

5) FINANCIAL RISK MANAGEMENT

The Company is exposed to market, credit and liquidity risks from its use of financial instruments. There have not been any changes to the Company's exposure to each of the above risks and the Company's policies and processes for measuring and managing these risks since December 31, 2017.

The fair value of the risk management contracts outstanding as at March 31, 2018 is estimated to be a net liability of $4.0 million (December 31, 2017, net asset of $0.9 million).

For the three months ended March 31, 2018, the risk management contracts resulted in a realized loss of $2.5 million.

For the three months ended March 31, 2018, Delphi recorded an unrealized loss on its risk management contracts of $4.9 million. The unrealized loss recognized for the three months ended March 31, 2018 is the difference between the fair values of the risk management contracts outstanding as at March 31, 2018 and the fair values as at December 31, 2017.

As at March 31, 2018, if the future strip prices for crude oil were $1.00 per barrel higher with all other variables held constant, the unrealized loss on risk management contracts for the three months ended March 31, 2018 would have increased by $0.8 million. As at March 31, 2018, if the future strip prices for natural gas were $0.10 per gigajoule or $0.10 per million British thermal unit higher with all other variables held constant, the unrealized loss on risk management contracts for the three months ended March 31, 2018 would have increased by $1.5 million.

As at March 31, 2018, if the U.S. to Canadian dollar exchange rate would have been $0.01 higher with all other variables held constant, the unrealized loss on foreign exchange risk management contracts for the three months ended March 31, 2018 would have increased by $0.3 million.

6) EXPLORATION AND EVALUATION ASSETS

	Total
Balance as at December 31, 2016	15,748
Additions	3,749
Transfer to oil and gas properties	(6,742)
Balance as at December 31, 2017	12,755
Additions	274
Dispositions	(70)
Transfer to oil and gas properties	(1,242)
Balance as at March 31, 2018	**11,717**

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

During the first three months of 2018, Delphi added $0.3 million of exploration and evaluation expenditures related to developing the Montney formation at Bigstone. During the quarter, a partner exercised its right to participate in a previous acquisition of undeveloped land for $70.0 thousand. In the three months ending March 31, 2018, $1.2 million of exploration and evaluation assets were transferred to property, plant and equipment following the addition of proved and probable reserves.

7) PROPERTY, PLANT AND EQUIPMENT

Cost	Crude oil and natural gas properties	Production equipment	Other assets	Total
Balance as at December 31, 2016	435,528	43,402	1,076	480,006
Additions	106,911	9,335	277	116,523
Decommissioning obligations	480	2,778	-	3,258
Disposals and derecognition	(190)	(994)	-	(1,184)
Transfers from exploration and evaluation assets	6,742	-	-	6,742
Balance as at December 31, 2017	549,471	54,521	1,353	605,345
Additions	37,218	3,943	4	41,165
Decommissioning obligations	(153)	-	-	(153)
Disposals and derecognition	(28)	-	-	(28)
Transfers from exploration and evaluation assets	1,242	-	-	1,242
Balance as at March 31, 2018	**587,750**	**58,464**	**1,357**	**647,571**

Accumulated depletion and depreciation	Crude oil and natural gas properties	Production equipment	Other assets	Total
Balance as at December 31, 2016	(209,427)	(14,531)	(831)	(224,789)
Depletion and depreciation	(33,666)	(2,108)	(80)	(35,854)
Disposals and derecognition	32	752	-	784
Balance as at December 31, 2017	(243,061)	(15,887)	(911)	(259,859)
Depletion and depreciation	(10,154)	(300)	(28)	(10,482)
Balance as at March 31, 2018	**(253,215)**	**(16,187)**	**(939)**	**(270,341)**
Net book value as at December 31, 2017	306,410	38,634	442	345,486
Net book value as at March 31, 2018	**334,535**	**42,277**	**418**	**377,230**

For the three months ended March 31, 2018, Delphi has included $282.3 million (March 31, 2017: $166.0 million) for future development costs and excluded $1.1 million (March 31, 2017: $1.1 million) for estimated salvage to its costs subject to depletion and depreciation.

8) BANK DEBT

	March 31, 2018	December 31, 2017
Senior Credit Facility (1)		
Prime-based loans	**-**	2,000
Bankers' acceptances, net of discount	**45,696**	24,878
Balance as at March 31, 2018	**45,696**	26,878

(1) As at March 31, 2018, Delphi had outstanding letters of credit of $7.4 million.

The Company's $95.0 million senior 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 May 29, 2018 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 30, 2019. The non-extension provisions are applicable to the lenders on an individual basis. The borrowing base of the facilities will be based on the lenders' 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 1.0 percent to a maximum of the bank's prime rate or U.S. base rate plus 3.0 percent or from a minimum of bankers' acceptances or LIBOR rate plus a stamping fee of 2.0 percent to a maximum of bankers' acceptances rate plus a stamping fee of 4.0 percent.

The senior credit facility is secured by a $200.0 million demand floating charge debenture and a general security agreement over all assets of the Company.

As at March 31, 2018, Delphi had $41.9 million (net of outstanding letters of credit) available to be drawn on the senior credit facility.

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

Financial covenant	Requirement	As at March 31, 2018
Adjusted working capital ratio	$\geq$ 1.0	1.1
Adjusted bank debt to EBITDA ratio	$\leq$ 3.0	0.9
Adjusted debt to EBITDA ratio	$\leq$ 4.0	2.2

For the purpose of the financial covenants, the following definitions are applicable:

Adjusted working capital ratio

Current assets include the undrawn portion of the senior credit facility and exclude the current portion of the fair value of financial instruments. Current liabilities exclude the current portion of the senior credit facility and the current portion of the fair value of financial instruments.

Adjusted bank debt to EBITDA ratio

Adjusted bank debt is defined as amounts outstanding under the senior credit facility, including outstanding letters of credit and liabilities associated with the unutilized take-or-pay contract.

EBITDA is calculated based on the terms and definitions set out in the senior credit facility agreement which adjusts net earnings (loss) for financing costs, certain specific unrealized and non-cash transactions and acquisition and disposition activity. EBITDA is calculated on an annualized basis based on the last two completed quarters. EBITDA for the purposes of this calculation as at March 31, 2018 was $62.3 million.

Adjusted debt to EBITDA ratio

The calculation of adjusted debt excludes accounts payable and accrued liabilities, decommissioning obligations and the fair value of financial instruments. The calculation includes outstanding letters of credit, bank debt, senior secured notes and liabilities associated with the unutilized take-or-pay contract.

EBITDA is defined as above.

Delphi was in compliance with all covenants as at March 31, 2018.

9) SENIOR SECURED NOTES

	Senior secured notes
Balance as at December 31, 2017	83,642
Accretion of discount and amortization of issue costs	434
Balance as at March 31, 2018	**84,076**

On June 15, 2016, Delphi issued $60.0 million of 10 percent senior secured notes with attached warrants (see Note 10). The Company issued 60 thousand units with each unit consisting of a $1,000 note and 245 warrants. On June 7, 2017, Delphi issued an additional $30.0 million of senior secured notes through a private placement. The senior secured notes have a face value of $1,000 each and were issued at a discount to par. 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 during the twelve month period beginning on June 15 of the years indicated at the following specified redemption prices (expressed as a percentage of the principal amount): 2018 at 107.50 percent, 2019 at 105.00 percent and 2020 and thereafter at 100.00 percent. Prior to June 15, 2018, Delphi has the option to redeem up to 50 percent of the senior secured notes at a redemption price of 110.00 percent plus accrued interest with an amount of cash not greater than the net cash proceeds of certain equity offerings.

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

The senior secured notes are presented net of debt issue costs of $4.2 million and will be accreted at an effective interest rate of 12.1 percent such that the carrying amount of the senior secured notes will equal the principal amount at maturity. The senior secured notes that were issued with warrants 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 issued on June 7, 2017 were initially recognized at fair value, net of issue costs and subsequently are carried at amortized cost.

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): make certain restricted payments and investments; incur additional debt; create liens; restrict dividends or other payments; consolidate, merge, sell, or otherwise dispose of all or substantially all of its assets; and enter into certain transactions with affiliates.

10) SHARE CAPITAL

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

(a) Issued and outstanding

	March 31, 2018		December 31, 2017	
	Outstanding shares (000's)	**Amount**	Outstanding shares (000's)	Amount
Balance, beginning of period	185,547	347,011	155,994	310,146
Issued on exercise of stock options	-	-	1,994	2,245
Transferred on exercise of options	-	-	-	822
Private placement	-	-	27,559	35,000
Share issue costs	-	-	-	(1,202)
Balance as at March 31, 2018	**185,547**	**347,011**	185,547	347,011

On June 7, 2017, through a private placement, Delphi issued 27.6 million common shares at a price of $1.27 per share for gross proceeds of $35.0 million.

As at March 31, 2018, 8.7 million stock options were outstanding with a weighted exercise price of $1.60 per option.

As at March 31, 2018, no restricted share units were outstanding.

(b) Warrants

As at March 31, 2018, 14.7 million warrants were outstanding. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of $1.40.

(c) Net earnings (loss) per share

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

	Three Months Ended March 31	
	2018	2017
Weighted average common shares - basic	185,547	156,790
Dilutive effect of share options outstanding	-	1,805
Dilutive effect of warrants outstanding	-	1,180
Weighted average common shares – diluted	**185,547**	159,775

For the three months ended March 31, 2018, a total of 8.7 million stock options (March 31, 2017: 9.5 million) and 14.7 million warrants (March 31, 2017: 13.5 million) were excluded from the calculation as they were anti-dilutive.

11) REVENUE

Delphi sells approximately 90 percent of its natural gas production in the United States via the Alliance Pipeline system, which is sold in Chicago, Illinois. Accordingly, Chicago City Gate is the primary benchmark for Delphi's natural gas sales in the United States. The remainder of Delphi's natural gas production is sold in Alberta on the NGTL system. The AECO 5A price is the primary benchmark for the Company's natural gas sales in Alberta. Condensate and natural gas liquids are delivered and sold in Edmonton, Alberta and are generally priced off light oil and natural gas prices.

Crude oil and natural gas sales are comprised of the following:

	Three Months Ended March 31	
	2018	2017
Natural gas	**11,364**	11,201
Field condensate	**15,567**	10,590
Natural gas liquids	**5,608**	3,813
Sulphur	**136**	67
Total crude oil and natural gas sales	**32,675**	25,671

12) SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended March 31	
	2018	2017
Source (use) of cash		
Accounts receivable	**8,196**	930
Prepaid expenses and deposits	**(1,014)**	(532)
Accounts payable and accrued liabilities	**3,029**	13,261
Total change in non-cash working capital	**10,211**	13,659
Relating to:		
Operating activities	**15,681**	2,964
Investing activities	**(5,470)**	10,695
	10,211	13,659