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 natural 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. 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. ("Delphi" or "the Company"). The discussion and analysis is a review of the financial position and results of operations of the Company. Its focus is primarily a comparison of the financial performance for the three and six months ended June 30, 2020 and 2019 and should be read in conjunction with the unaudited condensed consolidated interim financial statements and accompanying notes for the three and six months ended June 30, 2020 and 2019 and the audited consolidated financial statements and accompanying notes for the year ended December 31, 2019 and the related MD&A. The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The reporting currency is the Canadian dollar. The discussion and analysis has been prepared as of August 31, 2020.

SECOND QUARTER 2020 HIGHLIGHTS

- Produced an average of 6,623 barrels of oil per day ("boe/d"), compared to 6,575 boe/d produced in the first quarter of 2020 and down 28 percent from the 9,157 boe/d in the comparative quarter of 2019. Two (2.0 net) of the Company's three (3.0 net) well 2020 program produced throughout the quarter while production from the third well has been postponed until pricing improves;

- Voluntarily shut-in approximately 1,400 boe/d of higher cost production in response to the significant decrease in crude oil prices;

- Continued to deliver high liquids content with an average liquids yield of 150 barrels per cubic feet ("bbls/mmcf"), up from the 112 bbls/mmcf in the first quarter of 2020 and the 130 bbls/mmcf in the comparative quarter of 2019. Condensate and pentanes were approximately 120 barrels ("bbls") of the 150 bbls/mmcf or 80 percent of the liquids yield;

- Crude oil and natural gas revenue was $9.3 million, a decrease of 35 percent and 66 percent from the first quarter of 2020 and the second quarter of 2019. Revenues have declined due to significantly lower realized prices in combination with lower production volumes;

- Reduced operating costs significantly to $7.61 per barrel of oil equivalent ("boe") in comparison to $9.41 per boe in the second quarter of 2019. Due to lower production volumes, a higher proportion of natural gas was processed at the Company's 25 percent owned Bigstone sweet gas plant as opposed to more costly third party processing plants. In addition, the Company was able to temporarily suspend activities associated with shut-in production;

- Adjusted funds flow in the second quarter of $9.0 million decreased 66 percent from the comparative adjusted funds flow of $12.8 million. Adjusted funds flow in the quarter includes $17.3 million of realized gains from the termination of outstanding risk management contracts by the senior lenders in order to repay a portion of the outstanding senior credit facility;

- The operating netback before risk management, decreased to $0.41 per boe, down significantly from the $7.20 per boe and $18.29 per boe in the first quarter of 2020 and the second quarter of 2019, respectively. The decrease is primarily due to the deterioration of crude oil and associated natural gas liquids prices.

- Realized a cash netback of $14.99 per boe, which includes $28.65 per boe of realized gains on risk manamenent. The cash netback before risk management in the second quarter is a deficiency of $13.66 per boe compared to a cash netback before risk management of $11.86 per boe in the second quarter of 2019. The decrease is primarily due to the significant decline of crude oil and associated natural gas liquids prices and ongoing restructuring costs, partially offset by effective cost management of operating costs;

- On April 14, 2020, the Company obtained an initial order from the Court of Queen's Bench of Alberta under the Companies' Creditors Arrangement Act ("CCAA");

- On April 30, 2020, the senior lenders’ exercised their right to terminate the commodity swap contracts held by the Company for proceeds of $17.3 million. The proceeds were used to reduce outstanding indebtedness owing to the senior lenders;
- The Company obtained interim financing to provide the liquidity required to continue operations while in CCAA proceedings and
- Subsequent to the second quarter, the Company negotiated the terms of a proposed Restructuring Transaction (defined below) that, if implemented in accordance with its terms, will allow the Company to substantially reduce its debt and associated interest costs, while improving available liquidity and injecting new capital to fund future operations.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended June 30			Six months ended June 30		
	2020	2019	% Change	**2020**	2019	% Change
Financial						
($ thousands, except per share)						
Crude oil and natural gas revenues	**9,316**	27,026	(66)	**23,575**	53,379	(56)
Net loss	**(22,164)**	(53,620)	(59)	**(132,134)**	(72,127)	83
Per share – basic and diluted	**(0.91)**	(4.35)	(79)	**(5.85)**	(5.85)	-
Cash flow from operating activities	**16,969**	14,777	15	**23,799**	23,999	(1)
Per share – basic and diluted(1)	**0.69**	1.19	(42)	**0.97**	1.94	(50)
Adjusted funds flow(1)	**9,025**	11,963	(25)	**12,845**	24,314	(47)
Per share – basic and diluted(1)	**0.37**	0.90	(62)	**0.52**	1.97	(73)
Net debt(1)	**164,397**	189,117	(13)	**164,397**	189,117	(13)
Capital expenditures, net of dispositions	**36**	4,390	(99)	**22,234**	26,868	(17)
Weighted average shares (000s)						
Basic and diluted	**24,489**	12,370	98	**22,593**	12,370	83
Operating						
(boe conversion – 6:1 basis)						
Production:						
Field condensate (bbls/d)	**2,300**	2,762	(17)	**1,992**	2,544	(22)
Natural gas liquids (bbls/d)	**840**	1,245	(33)	**899**	1,256	(28)
Natural gas (mcf/d)	**20,897**	30,897	(32)	**22,249**	30,960	(28)
Total (boe/d)	**6,623**	9,157	(28)	**6,599**	8,960	(26)
Average realized sales prices, before financial instruments						
Field condensate ($/bbl)	**20.18**	71.41	(72)	**33.11**	65.35	(49)
Natural gas liquids ($/bbl)	**13.72**	21.48	(36)	**14.94**	28.64	(48)
Natural gas ($/mcf)	**2.13**	2.32	(8)	**2.26**	2.96	(24)
Netbacks ($/boe)						
Crude oil and natural gas revenues	**15.46**	32.43	(52)	**19.63**	32.91	(40)
Marketing income (loss)(1)	**(2.60)**	1.87	(239)	**(1.66)**	1.75	(195)
Realized gain on financial instruments	**28.65**	2.50	1,046	**18.44**	2.59	612
Revenue, after realized financial instruments	**41.51**	36.80	13	**36.40**	37.25	(2)
Royalties	**(0.96)**	(1.93)	(50)	**(1.41)**	(1.91)	(26)
Operating expense	**(7.61)**	(9.41)	(19)	**(8.86)**	(9.19)	(4)
Transportation expense	**(3.88)**	(4.67)	(17)	**(3.90)**	(4.36)	(11)
Operating netback (1)	**29.06**	20.79	40	**22.23**	21.79	2
General and administrative expenses	**(3.16)**	(1.50)	111	**(2.67)**	(1.78)	50
Other income	**0.51**	-	-	**0.26**	-	-
Restructuring costs	**(5.14)**	-	-	**(2.73)**	-	-
Finance charges	**(6.19)**	(4.73)	31	**(6.21)**	(4.81)	29
Settlement of unutilized take-or-pay contract	**(0.09)**	(0.20)	(55)	**(0.19)**	(0.21)	(10)
Cash netback (1)	**14.99**	14.36	4	**10.69**	14.99	(29)

(1) Refer to non–GAAP measures

FUTURE OPERATIONS AND CCAA PROCEEDINGS

Going Concern

On April 14, 2020, the Company obtained an initial order (the "Initial Order") from the Court of Queen's Bench of Alberta (the "Court") under the CCAA. Further, for the six months ended June 30, 2020 Delphi recorded a net loss of $132 million, had a working capital deficit of $163 million and is not currently able to discharge its liabilities. Furthermore, there have been liens placed on the Company's assets. As a result of the foregoing, a material uncertainty does exist that casts significant doubt on the Company's ability to continue as a going concern.

Future operations are dependent on the Company being able to restructure its balance sheet and obtain financing in order to provide the opportunity to generate positive cash flow from operations, maintain existing operations and have the ability to discharge obligations as they become due. Also, future operations are dependent on the Company's ability to comply with the covenants contained in the Interim Financing agreement (see further discussion below) and the Company's ability to successfully complete the Restructuring Transaction (as defined below). Currently, the Company has creditor protection continuing until October 9, 2020 to facilitate the completion of the Restructuring Transaction, however, there is no guarantee that the Company will be successful in completing the Restructuring Transaction. As a result of the Company's current financial condition, there exists a material uncertainty that causes significant doubt about the Company's ability to meet its obligations as they become due and to continue as a going concern.

CCAA Proceedings

On November 26, 2019, the Company completed a series of transactions (collectively, the "Recapitalization Transaction") in connection with Delphi's priority of improving financial strength and liquidity. The Recapitalization Transaction successfully achieved, among other things, i) the extension of the maturity date of the Company's $105.0 million Senior Secured Notes due July 15, 2021 ("Existing Notes") to April 15, 2023, ii) raised gross proceeds of $46.5 million through the issuance of new equity and additional senior secured notes for the purpose of funding the development of the Company's Bigstone Montney asset or consolidation of assets in Delphi's core area (of which $15.5 million was subsequently returned to subscribers), and iii) provided for a common share consolidation of 15 to 1. For additional information of the Recapitalization Transaction, please see Management's Discussion and Analysis for the year ended December 31, 2019.

With the Recapitalization Transaction completed and the Company having received two thirds of the gross proceeds raised (in accordance with the escrow release conditions) to fund the development and completion of its 2020 winter capital program, Delphi was aligned to be in a position of growth and debt repayment in 2020. However, with the unprecedented oil price collapse caused by the Russia-Saudi Arabia oil price war and an over supplied market due to an overwhelming decline in demand caused by the COVID-19 pandemic, at the end of March, the Company was facing a breach of its Total Debt to EBITDA ratio at March 31, 2020 under its credit agreement with its senior secured lenders. Delphi was unable to negotiate an agreement with its senior secured lenders that would have provided a waiver or amendment of the financial covenant. Accordingly, Delphi determined that in the circumstances, it was necessary and in the best interests of the Company and its stakeholders to seek protection under the CCAA. On April 14, 2020, the Company obtained an Initial Order from the Court under the CCAA. PricewaterhouseCoopers Inc. has been appointed monitor (the "Monitor") in the CCAA proceedings.

As a result of the commencement of CCAA proceedings, a return event occurred in respect of Delphi's previously issued equity subscription receipts ("ESRs") and note subscription receipts ("NSRs") effective April 14, 2020. In accordance with their terms, all outstanding ESRs and NSRs were cancelled and the escrowed proceeds in respect of the ESRs and NSRs (in the aggregate amount of $15.5 million), together with all interest accrued thereon and escrowed note fee payments previously paid by Delphi in respect of the NSRs, have been returned to their holders.

In accordance with the policies of the Toronto Stock Exchange (the "TSX"), in connection with the CCAA proceedings, the common shares and other securities of the Company were delisted from the TSX effective at the close of market trading on May 21, 2020.

The Initial Order in the CCAA proceedings grants the Company the authority to carry on business in a manner consistent with the preservation of its business and property. The Initial Order is designed to stabilize operations and business relationships with contractors, suppliers and creditors and to provide an opportunity for the Company to, among other things, recapitalize the Company and negotiate a settlement of liabilities. The Initial Order provides, among other things, that the Company is authorized and empowered to continue corporate and operational activities and to continue to retain employees, consultants, agents, experts, accountants, counsel and such other persons considered necessary by the Company in the ordinary course of business.

On May 22, 2020, the Company obtained an order from the Court to extend the stay period to October 9, 2020. To provide the required liquidity during the CCAA proceedings, the Company obtained interim financing arrangements provided by ATB Financial pursuant to an interim letter of credit facility (the "Interim Letter of Credit Facility") and by Luminus Energy IE Designated Activity Company ("Luminus Energy") pursuant to an interim loan facility (the "Interim Loan Facility"), together to form the interim financing (the “Interim Financing”) (see Interim Financing). ATB Financial and Luminus Energy have respectively been granted third and fourth ranking super-priority charges over the Company’s and its subsidiaries’ assets and property in connection with such facilities.

The commencement of the CCAA proceedings is an event of default under the senior credit facility and the senior secured notes and accordingly, such liabilities are classified as current liabilities. In accordance with counterparty agreements, the CCAA proceeding also resulted in the risk management contracts being terminated with early settlements effective on or about April 30, 2020. The net proceeds from the early settlements were applied against the outstanding balance owing to the senior secured lenders.

In July, the Company negotiated a proposed recapitalization and financing transaction (“Restructuring Transaction”), to be implemented as a plan of compromise and arrangement (the “Plan”) under the CCAA and the Canada Business Corporations Act, that, if implemented in accordance with its terms, will allow the Company to substantially reduce its debt and associated interest costs, while improving available liquidity and injecting new capital to fund future operations.

In connection with the Plan, the Company has entered into a restructuring support agreement (the “Support Agreement”) with Luminus Energy, Concise Capital Management, LP and Stornoway Portfolio Management, Inc., directly and/or through their managed funds (the “Initial Plan Sponsors”). Pursuant to the Support Agreement, the Initial Plan Sponsors have, among other things, agreed to provide $8.75 million in cash, in part, to fund the Plan (the “Plan Sponsor Funds”) and to take other actions to support the Plan.

Concurrent with execution of the Support Agreement, Delphi also entered into a capital investment agreement (the “Investment Agreement”) with Kiwetinohk Resources Corp. (“KRC”) pursuant to which KRC has agreed to make a $22.9 million capital investment (the “Capital Investment”) in Delphi upon emergence from CCAA in exchange for shares and warrants, as further described below.

On July 10, 2020, the Company obtained orders from the Court that, among other things, approved the Support Agreement, the Investment Agreement and the Capital Investment.

The implementation of the Restructuring Transaction and the Plan is conditional upon, among other things: (i) the approval by the required majorities of holders of the Company’s senior secured notes due 2023 (“Second Lien Notes”) and General Unsecured Creditors (as such term is defined in the Plan) of Delphi voting at separate meetings (“Meetings”) of those creditors to be called for such purpose, which Meetings are to be held on September 9, 2020; and (ii) if the Plan is approved at the Meetings, an order of the Court sanctioning the Plan under the CCAA.

Restructuring Transaction

The Plan and the Restructuring Transaction include the following key elements:

- The operations of the Delphi will continue as normal and without disruption following the implementation of the Plan;
- The Company’s Interim Loan Facility, senior secured facility and senior secured notes will be settled in exchange for approximately 14.7%, 14.2% and 36.5% of the issued and outstanding voting common shares of a newly created class of shares of the Company (the “New Shares”), respectively, subject to the Second Lien Opt-Out-Election (as defined below);
- Subject to the terms and limits set out in the Plan, beneficial holders of senior secured notes holding an aggregate principal amount of senior secured notes equal to or less than $200,000 will have the opportunity to elect (the “Second Lien Opt-Out Election”) to receive cash in the amount of $0.25 per dollar of outstanding principal amount senior secured notes in lieu of the New Shares that they would otherwise be entitled to receive pursuant to the Plan; provided that, in the event that the aggregate of all payments pursuant to the Second Lien Opt-Out Election would exceed the aggregate amount of $1 million, such payment will be reduced on a pro rata basis so that total payments pursuant to the Second Lien Opt-Out Election do not exceed $1 million;
- In exchange for the Plan Sponsor Funds, the Initial Plan Sponsors will be issued approximately 9.6% of the issued and outstanding New Shares;
- In exchange for the Capital Investment, KRC will be issued 25% of the New Shares, plus warrants that are exercisable into such number of shares as will result in KRC holding 50%+1 of the New Shares upon satisfaction of certain conditions in the future and payment of an aggregate exercise price equal to approximately $37.5 million (subject to certain adjustments in accordance with the terms of the warrants);

- General unsecured creditors with accepted claims less than or equal to $5,000 ("Convenience Class Creditors"), and other general unsecured creditors who make an election to be treated as Convenience Class Creditors, will be paid in full up to $5,000;

- All other general unsecured creditors will be entitled to payment in respect of their accepted claims based on their pro rata share of a general unsecured creditors cash pool in the amount of $3 million, less amounts required to fund payments to Convenience Class Creditors. Beneficial holders of senior secured notes will be entitled to be treated as general unsecured creditors in respect of a deficiency claim in the aggregate amount of approximately $83.8 million (plus all accrued and outstanding fees, costs and interest owing pursuant to the indenture governing the senior secured notes);

- Delphi will grant to certain officers and directors of the Company options and restricted share units entitling them to acquire in the aggregate 10% of the issued and outstanding New Shares; and

- All existing common shares, warrants and options of Delphi (collectively, the "Equity Claims") will be cancelled and extinguished for no consideration and without any return of capital. Holders of Equity Claims will not be entitled to attend or vote at the Meetings. In connection with the Plan, Delphi has entered into a new investor agreement with Luminus Energy and KRC granting them certain board nomination and approval rights.

As at June 30, 2020, in connection with the CCAA proceedings, the Company identified the following obligations that are subject to potential compromise:

Interim financing	10,486
Interest on interim financing	31
Senior secured facility	13,006
Interest on senior secured facility	96
Senior secured notes	118,092
Interest on senior secured notes	5,549
Accounts payable	29,951
Total liabilities subject to potential compromise	177,211

The above amounts represent their amortized cost as at June 30, 2020 and have not been adjusted to fair value. As indicated above, the above obligations that are subject to potential compromise are based on management's best estimate as to the potential outcomes of the Plan; however, the extent of potential compromise, is subject to future events including completion of the Restructuring Transaction and the amounts may be subject to material adjustments. To the extent that the result of the Plan is more favourable to the Company and its stakeholders than currently anticipated, some of the obligations may not be subject to the full compromise as anticipated above. To the extent that the result of the Plan is less favourable to the Company and its stakeholders than currently anticipated, additional obligations may be subject to the compromise than those which are anticipated above.

There can be no guarantee that the Company will be successful in completing the Plan and the Restructuring Transaction. A copy of the Plan can be found and all related CCAA materials can be found on the website maintained by the Monitor at http://www.pwc.com/ca/delphi.

2020 DRILLING AND COMPLETIONS OPERATIONS

Well Location	Gross	Net	Drilled (Rig Released)	Completed	On-stream
100/13-12-060-24W5	1.0	1.0	Q1 2020	Q1 2020	April 3, 2020
100/14-12-060-24W5	1.0	1.0	Q1 2020	Q1 2020	Tested not brought on
100/03-30-059-23W5	1.0	1.0	Q1 2020	Q1 2020	March 30, 2020

In the first six months of 2020, Delphi drilled three wells in liquids-rich West Bigstone. The first two wells of the 2020 drilling program were the 100/13-12-60-24W5 ("13-12") and 100/14-12-60-24W5 ("14-12") Montney wells. These wells were drilled from a two well pad with a surface location of 100/14-36-59-24W5 ("14-36") situated between Delphi's two existing producers at 100/16-10-60-24W5 and 100/16-12-60-24W5. The third Montney well of the 2020 drilling program was the 100/03-30-59-23W5 ("03-30"), drilled west of the existing 103/16-31-59-23W5 well. The 14-12 has not been brought on production as Delphi is managing volumes during this low commodity price environment. In comparison, in the first six months of 2019, Delphi drilled the remaining well (0.65 net) of a four-well pad which was brought on-stream in 2019.

CAPITAL EXPENDITURES

	Three Months Ended June 30			Six Months Ended June 30		
	2020	2019	% Change	**2020**	2019	% Change
Drilling, completions and equipping	**(52)**	3,215	(102)	**20,587**	17,681	16
Facilities	**48**	599	(92)	**1,358**	7,972	(83)
Capitalized expenses	**41**	502	(92)	**314**	1,084	(71)
Other	**(1)**	74	(101)	**65**	131	(50)
Total capital	**36**	4,390	(99)	**22,324**	26,868	(17)

In the three months ended June 30, 2020, the Company spent $0.5 million on building a pump station and other required infrastructure at its 07-11 battery to tie into a third party field condensate pipeline. The third party pipeline will transport the majority of the Company's field condensate to a sales point in Fox Creek, Alberta, eliminating approximately 90 percent of field condensate trucking costs. The Company is expected to save transportation costs as it will no longer be exposed to fractional loads during road ban season and reduce maintenance work on roads due to damage caused in wetter months. The capital spent on the pumping station was partially offset by reversal of estimates related to the 2020 capital program.

During the first half of 2020, Delphi spent $22.2 million primarily on the drilling, completions and equipping operations on three (3.0 net) wells. The Company achieved significant cost reductions in its drilling and completions program.

As of June 30, 2020, Delphi has a working interest in a total of 117 (76.3 net) sections of undeveloped and partially undeveloped land as part of 147 (97.1 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 June 30			Six Months Ended June 30		
	2020	2019	% Change	**2020**	2019	% Change
Field condensate (bbls/d)	**2,300**	2,762	(17)	**1,992**	2,544	(22)
Ethane (bbls/d)	**43**	12	258	**24**	11	118
Propane (bbls/d)	**306**	522	(41)	**345**	544	(37)
Butane (bbls/d)	**289**	410	(30)	**312**	403	(23)
Pentanes & plant condensate (bbls/d)	**202**	301	(33)	**218**	298	(27)
Total field condensate and natural gas liquids	**3,140**	4,007	(22)	**2,891**	3,800	(24)
Natural gas (mcf/d)	**20,897**	30,897	(32)	**22,249**	30,960	(28)
Total (boe/d)	**6,623**	9,157	(28)	**6,599**	8,960	(26)

The Company brought on two (2.0 net) of the three well winter 2020 program on March 30 and April 3, 2020. These wells are the only new wells brought on production since the Company brought on production a four-well (2.6 net) pad in West Bigstone in the second quarter of 2019.

In response to the significant decline in crude oil prices, the base price for which the Company's field condensate is priced off of, the Company delayed the start-up of the third well from the winter 2020 program and shut-in approximately 30 wells throughout the month of April and May. With the improvement in commodity prices, approximately ten of the shut-in wells have come on production during the third quarter of 2020. The third well from the winter 2020 program is scheduled to be placed on production in September and the remaining 20 wells shut-in are scheduled to come on in the fourth quarter, pending commodity prices. The impact of shut-in production, excluding the third well from the winter 2020 program, was approximately 1,400 boe/d in the second quarter. Production in the second quarter averaged 6,623 boe/d, compared to 6,575 boe/d produced in the first quarter of 2020 and down 28 percent from the comparative quarter in 2019.

The third well from the winter 2020 program is scheduled to be brought on-stream in September.

Production from the Montney continues to deliver high liquids content. During the three months ended June 30, 2020, the liquids yield averaged 150 bbls/mmcf, up from the 112 bbls/mmcf in the first quarter of 2020 and the 130 bbls/mmcf in the comparative quarter of 2019. For the second quarter of 2020, condensate and pentanes were approximately 120 bbls of the 150 bbls/mmcf or 80 percent of the liquids yield.

Production in the first six months of 2020 averaged 6,599 boe/d, down 26 percent from the comparative period in 2019. Production declined as no additional production was brought on-stream since the second quarter of 2019 until the two new wells from the Company's winter 2020 program were tied-in at the end of March and the beginning of April as well as the production shut-in throughout the second quarter in order to manage volumes through the low oil price environment.

The Company's production portfolio for the second quarter of 2020 was weighted 35 percent to field condensate, 12 percent to natural gas liquids and 53 percent to natural gas. The production portfolio for the comparative quarter in 2019 was weighted 30 percent to field condensate, 14 percent to natural gas liquids and 56 percent to natural gas.

BUSINESS ENVIRONMENT

Benchmark Prices and Economic Parameters

	Three Months Ended June 30			Six Months Ended June 30		
	2020	2019	% Change	**2020**	2019	% Change
Natural Gas						
Chicago City Gate MI (US $/mmbtu)	**1.63**	2.45	(33)	**1.79**	2.89	(38)
Chicago City Gate DI (US $/mmbtu)	**1.63**	2.31	(29)	**1.69**	2.70	(37)
AECO 5A (CDN $/mcf)	**2.00**	1.04	92	**2.02**	1.82	11
AECO 7A (CDN $/mcf)	**1.91**	1.17	63	**2.02**	1.55	30
Crude Oil						
West Texas Intermediate (US $/bbl)	**27.85**	59.83	(53)	**36.97**	57.37	(36)
West Texas Intermediate (CDN$/bbl)	**38.44**	80.05	(52)	**49.98**	76.54	(35)
Edmonton condensate to WTI Differential (CDN $/bbl)	**(8.24)**	(5.30)	55	**(4.31)**	(5.57)	(23)
Foreign Exchange						
Canadian to U.S. dollar	**0.72**	0.75	(4)	**0.73**	0.75	(3)
U.S. to Canadian dollar	**1.39**	1.34	4	**1.37**	1.33	3

The second quarter of 2020 reflected the full effect of the COVID-19 pandemic which broadly impacted global economies and more specifically energy consumption, supply management and resulting commodity markets. This situation led to a highly volatile quarter that significantly impacted realized commodity prices, particularly in respect of liquids prices. Although the influence of the COVID-19 pandemic continues, crude oil pricing has improved into the start of the third quarter of 2020.

Natural Gas

Delphi sells approximately half of its natural gas production through the Alliance pipeline system into the Chicago market. 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 prices for the three and six months ended June 30, 2020 decreased 33 and 38 percent in comparison to the same periods in 2019. The decline in the Chicago benchmark price is primarily due to lower demand for natural gas as a result of lower seasonal demand from moderate winter weather in US Midwest and lower demand for natural gas from the COVID-19 health pandemic.

The average daily AECO benchmark natural gas price increased 92 percent and eleven percent in the three and six months ended June 30, 2020 in comparison to the same periods in 2019. Declining supply as producers shut-in production along with lower storage levels has improved the supply/demand balance at AECO.

Crude Oil

West Texas Intermediate ("WTI") oil prices started the year relatively strong with January 2020 averaging US$57.53 per barrel and rapidly declining to an average of US$30.45 per barrel in March 2020 and opening the second quarter at $20.31 per barrel. The WTI benchmark was 39 per cent lower than the first quarter of 2020 and 53 per cent lower than the second quarter of 2019. Price volatility within the quarter was extremely high as supply and demand factors were rapidly changing. The demand shock due to the COVID-19 pandemic peaked during the second quarter and led to a significant drop in crude oil prices along with a large increase in inventory levels resulting in shut-in production and a significant drop in drilling activity.

WTI prices began to recover latter in the second quarter in response to supply reductions and the gradual improvement of global economic activity and related crude oil demand. The curtailment agreements among OPEC and other oil exporting nations helped to provide some stability around oil prices.

Natural Gas Liquids

Natural gas liquids, including ethane, propane, butane, pentane and plant condensate, are generally priced off light oil and natural gas prices. Ethane prices are correlated to natural gas prices while propane and butane prices trade at a discount to light oil prices depending on supply and demand conditions.

Canadian/United States Exchange Rate

The value of the Canadian dollar against its U.S. counterpart was decreased four and three percent in the three and six months ended June 30, 2020 over the comparative periods in 2019. As a producer of natural gas sold in the United States, a decrease in the Canadian dollar relative to its U.S. counterpart has a positive effect on the price received for production.

REALIZED SALES PRICES

	Three Months Ended June 30			Six Months Ended June 30		
	2020	2019	% Change	**2020**	2019	% Change
Chicago						
Chicago City Gate MI (CDN$/mcf)	**2.26**	3.28	(31)	2.43	3.85	(37)
Heating content and marketing ($/mcf)	**(0.19)**	0.18	(206)	(0.11)	(0.03)	267
Realized price before risk management contracts ($/mcf)	**2.07**	3.46	(40)	2.32	3.82	(39)
AECO						
AECO 5A ($/mcf)	**2.00**	1.04	92	2.02	1.82	11
Heating content and marketing ($/mcf)	**0.12**	0.09	33	0.15	0.10	50
Realized price before risk management contracts ($/mcf)	**2.12**	1.13	88	2.17	1.92	13
Combined Natural Gas						
Realized natural gas price before risk management contracts ($/mcf)	**2.13**	2.32	(8)	**2.26**	2.96	(24)
Realized gain (loss) on financial contracts ($/mcf)	**(0.01)**	0.05	(120)	**0.14**	(0.27)	(152)
Realized natural gas price ($/mcf)	**2.12**	2.37	(11)	**2.40**	2.69	(11)
Marketing income ($/mcf) [1]	**(0.83)**	0.55	(251)	**(0.49)**	0.51	(196)
Natural gas price including marketing income ($/mcf)	**1.29**	2.92	(56)	**1.91**	3.20	(40)
Field Condensate						
WTI (CDN$/bbl)	**38.44**	80.05	(52)	**49.98**	76.54	(35)
Edmonton condensate to WTI Differential ($/bbl)	**(8.24)**	(5.30)	55	**(4.31)**	(5.57)	(23)
Edmonton condensate	**30.20**	74.75	(60)	**45.67**	70.97	(36)
Differential and marketing ($/bbl)	**(10.02)**	(3.34)	200	**(12.56)**	(5.62)	123
Realized price before risk management contracts ($/bbl)	**20.18**	71.41	(72)	**33.11**	65.35	(49)
Realized gain on financial contracts ($/bbl)	**79.70**	5.80	1,274	**57.23**	10.40	450
Realized field condensate price ($/bbl)	**99.88**	77.21	29	**90.34**	75.75	19

	Three Months Ended June 30			Six Months Ended June 30		
	2020	2019	% Change	**2020**	2019	% Change
Natural Gas Liquids						
Realized natural gas liquids price ($/bbl)	**13.72**	21.48	(36)	**14.94**	28.64	(48)
Realized gain on financial contracts ($/bbl)	**7.81**	4.37	79	**5.02**	4.03	25
Realized natural gas liquids price ($/bbl)	**21.53**	25.85	(17)	**19.96**	32.67	(39)
Total realized sales price ($/boe)	**44.11**	34.93	26	**38.07**	35.50	7

(1) Refer to non–GAAP measures

Delphi sells natural gas in the Chicago market through the Alliance pipeline system and in the AECO market through the NGTL system. Natural gas that is sweetened at the Company's amine facility is further processed at its 25 percent owned Bigstone sweet natural gas plant and shipped on the NGTL pipeline system. With the decline in Chicago benchmark and lower processing costs for natural gas processed at the Bigstone sweet natural gas plant in comparison to natural gas processed at SemCAMS K3 natural gas processing plant, the Company has made an effort to maximize the natural gas volumes that are sweetened at the amine facility thus increasing the volume of natural gas shipped on the NGTL system. In the first and six months of 2020, Delphi sold 50 percent and 52 percent, respectively, of its natural gas in the Chicago market. This compares to the proportion of natural gas sold in the Chicago market for the three and six months of 2019 at 55 percent and 57 percent, respectively.

Differentials for marketing are caused by differences between the daily and monthly benchmark price indices. The majority of the natural gas volumes that were shipped on the Alliance pipeline system were sold with reference to the monthly index and the remainder of the volumes were sold with reference to the daily index. The majority of natural gas volumes shipped on NGTL are sold with reference to AECO 5A index and the remainder with reference to AECO 7A.

For the three and six months ended June 30, 2020, Delphi's realized natural gas price before risk management contracts decreased eight and 24 percent over the comparable periods in 2019. The decrease in the combined realized price is primarily due to a decline in the Chicago benchmark partially offset by an increase in the AECO benchmark in combination with a higher proportion of natural gas sold in the AECO market.

Realized field condensate prices before risk management contracts were 72 percent and 49 percent lower in the three and six months ended June 30, 2020 compared to the same periods in 2019. The decrease in the field condensate realized price before risk management is primarily due to the decrease in the WTI benchmark. Average condensate benchmark prices were at a wider discount relative to WTI in Alberta in the second quarter of 2020 compared with 2019 due to lower diluent demand from heavy oil producers as a result of shutting in production. On a year-to-date basis, average condensate differentials to WTI narrowed compared with 2019.

Delphi's realized price for natural gas liquids has declined in the three and six months ended June 30, 2020 in comparison to the same periods in 2019. Average selling prices for NGLs were impacted by the weakening of propane, butane and condensate prices from continued oversupply. Commencing April 1, 2020, Delphi no longer has contractual NGL transportation commitments. Delphi's purchaser for natural gas liquids nets off the pipeline tariff from the price received.

RISK MANAGEMENT ACTIVITIES

In an effort to mitigate commodity price fluctuations for natural gas, crude oil and natural gas liquids, Delphi enters into financial commodity contracts as part of its risk management program designed to protect cash flows through to simple payout on the drilling and completion portion of its capital program.

On April 24, 2020, Delphi received notice of the senior lenders' intention to exercise their right to terminate the commodity swap contracts held by the Company, in aggregate totaling $17.3 million. The contracts were terminated on April 30, 2020 and the proceeds were used to reduce indebtedness owing under the senior credit facilities. See Liquidity and Capital Resources section of this MD&A.

Subsequent to June 30, 2020, the Company entered in the following commodity price risk management contracts:

Crude Oil Contracts

Time Period	Type of Contract	Quantity Contracted	Price ($/unit)	Reference
August 2020 (1)	Put Option	1,129 bbls/d	$55.00 Cdn	WTI
September 2020 (1)	Put Option	1,000 bbls/d	$55.00 Cdn	WTI
October 2020 (1)	Put Option	1,000 bbls/d	$55.00 Cdn	WTI
November 2020 (1)	Put Option	517 bbls/d	$55.00 Cdn	WTI

(1) The put option contracts for August, September, October and November 2020 were purchased at a price of $2.65 per barrel, $3.80 per barrel, $3.95 per barrel and $4.00 per barrel, respectively.

Fair value of Delphi's risk management contracts

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).

As at June 30, 2020, the Company did not have any commodity risk management contracts outstanding. On April 30, 2020, the senior lenders' terminated all of the Company's commodity risk management contracts for proceeds of $17.3 million which were used to repay indebtedness under the senior credit facilities. The termination of the commodity risk management contracts resulted in realized gains on risk management of $17.3 million for the second quarter of 2020. During the first quarter of 2020, Delphi unwound portions of some risk management contracts for proceeds of $1.3 million. Including the monetization of these contracts and the termination of the risk management contracts by the senior lenders, Delphi realized gains of $22.2 million for the six months ended June 30, 2020.

For the three and six months ended June 30, 2020, Delphi recorded an unrealized loss on its risk management contracts of $15.7 million and $6.3 million, respectively. The unrealized loss recognized for the three months ended June 30, 2020 is the difference between the fair values of the risk management contracts outstanding as at June 30, 2020 and the fair values as at March 31, 2020. The unrealized loss recognized for the six months ended June 30, 2020 is the difference between the fair values of the risk management contracts outstanding as at June 30, 2020 and the fair values as at December 31, 2019.

REVENUES

CRUDE OIL AND NATURAL GAS REVENUES

	Three Months Ended June 30			Six Months Ended June 30		
	2020	2019	% Change	**2020**	2019	% Change
Field condensate	**4,223**	17,949	(76)	**12,003**	30,092	(60)
Natural gas	**4,045**	6,528	(38)	**9,136**	16,580	(45)
Natural gas liquids	**1,048**	2,434	(57)	**2,444**	6,510	(62)
Sulphur	**-**	115	-	**(8)**	197	(104)
Total	**9,316**	27,026	(66)	**23,575**	53,379	(56)
Per boe	**15.46**	32.43	(52)	**19.63**	32.91	(40)

For the three and six months ended June 30, 2020, Delphi generated $9.3 million and $23.6 million of revenues from the sale of its crude oil and natural gas, representing a 66 percent and 56 percent decrease over the comparative periods, respectively. Field condensate contributed 45 percent and 51 percent of total revenues in the three and six months ended June 30, 2020, compared to 66 percent and 56 percent in the same periods in 2019, respectively.

The impact on revenues due to variance of volumes and realized prices before risk management is as follows:

	Three Months Ended June 30			Six Months Ended June 30		
	2020	2019	**(000's)**	2020	2019	**($000's)**
Crude oil and natural gas revenues, June 30, 2019			**27,026**			**53,379**
Revenue change due to:						
Field condensate						
Volume (bbl/d)	2,300	2,762	**(849)**	1,992	2,544	**(3,241)**
Realized price [(1)] ($/bbl)	20.18	71.41	**(12,877)**	33.11	65.35	**(14,847)**
Natural gas						
Volume (mcf/d)	20,897	30,897	**(1,935)**	22,249	30,960	**(3,507)**
Realized price [(1)] ($/mcf)	2.13	2.32	**(549)**	2.26	2.96	**(3,936)**
Natural gas liquids						
Volume (bbl/d)	840	1,245	**(505)**	899	1,256	**(954)**
Realized price [(1)] ($/bbl)	13.72	21.48	**(880)**	14.94	28.64	**(3,114)**
Sulphur	-	115	**(115)**	(8)	197	**(205)**
Crude oil and natural gas revenues, June 30, 2020			**9,316**			**23,575**

(1) Realized price before gains or losses on commodity price risk management contracts.

MARKETING

	Three Months Ended June 30			Six Months Ended June 30		
Marketing Revenue	**2020**	2019	% Change	**2020**	2019	% Change
Sale of purchased natural gas	**2,872**	1,288	123	**3,823**	2,040	87
Premiums on the assignment of service	**-**	1,266	(100)	**-**	2,451	(100)
Total	**2,872**	2,554	12	**3,823**	4,491	(15)

	Three Months Ended June 30			Six Months Ended June 30		
Marketing Expense	**2020**	2019	% Change	**2020**	2019	% Change
Cost of purchased natural gas	**2,709**	587	361	**3,659**	1,028	256
Transportation of purchased natural gas	**1,731**	407	325	**2,163**	631	243
Total	**4,440**	994	347	**5,822**	1,659	251

	Three Months Ended June 30			Six Months Ended June 30		
Marketing Income [(1)]	**2020**	2019	% Change	**2020**	2019	% Change
Gain (loss) on marketing of purchased natural gas	**(1,568)**	294	(633)	**(1,999)**	381	(625)
Premium on the assignment of service	**-**	1,266	(100)	**-**	2,451	(100)
Total	**(1,568)**	1,560	(201)	**(1,999)**	2,832	(171)
Marketing income per boe	**(2.60)**	1.87	(239)	**(1.66)**	1.75	(195)

[(1)]Refer to non–GAAP measures

Delphi has approximately 29.8 mmcf/d of firm transportation service and 7.5 mmcf/d of priority interruptible service on the Alliance pipeline system from Alberta to Chicago. This service is fully renewable commencing October 2020. The Company's firm transportation on the Alliance pipeline has decreased in comparison to the comparative period as 16 mmcf/d of service was permanently assigned for net proceeds of $11.5 million in November of 2019, which were used to reduce bank indebtedness. 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.

The Company realized a loss on its marketing activities associated with purchasing natural gas to fulfill its transmission commitment on Alliance as the Chicago benchmark decreased 33 percent and 37 percent in the first three and six months of 2020 in comparison to the same periods in 2019. In addition, due to the unfavourable arbitrage between Chicago and AECO benchmark, the Company was not able to charge a premium over the Alliance tariff for its temporary assignments of excess transmission service in the first half of 2020. Marketing activities increased during the three and six months ended June 30, 2020, as the Company's natural gas production has decreased in combination with a lower proportion of natural gas shipped into the Chicago market.

ROYALTIES

	Three Months Ended June 30			Six Months Ended June 30		
	2020	2019	% Change	**2020**	2019	% Change
Crown royalties	**736**	1,659	(56)	**1,978**	3,031	(35)
Royalty credits	**(380)**	(976)	(61)	**(1,014)**	(1,680)	(40)
Crown royalties – net	**356**	683	(48)	**964**	1,351	(29)
Gross overriding royalties	**224**	929	(76)	**733**	1,742	(58)
Total	**580**	1,612	(64)	**1,697**	3,093	(45)
Per boe	**0.96**	1.93	(50)	**1.41**	1.91	(26)

	Three Months Ended June 30			Six Months Ended June 30		
	2020	2019	% Change	**2020**	2019	% Change
Crown rate – before royalty credits	7.9%	6.0%	29	**8.4%**	5.8%	48
Crown rate – net of royalty credits	3.8%	2.5%	51	**4.1%**	2.5%	62
Gross overriding rate	2.4%	3.4%	(30)	**3.1%**	3.3%	(5)
Average rate	6.2%	6.0%	4	**7.2%**	5.8%	24

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

For the three and six months ended June 30, 2020, royalties totaled $0.6 million and 1.7 million, compared to $1.6 million and $3.1 million for the same periods in 2019, respectively. Royalties in the first three and six months of 2020 have decreased due to lower production volumes in combination with a decrease in pricing for crude oil and natural gas liquids.

The average Crown royalty rate before royalty credits has increased to 7.9 percent and 8.4 percent in the three and six months ended June 30, 2020, in comparison to 6.0 percent and 5.8 percent for the same periods in 2019. Some of the Company's Montney field condensate production, drilled prior to January 1, 2017, which fall under to old royalty regime, have come off of royalty holidays which increases the royalty rate from zero percent to an average of approximately 40 percent (depending on individual well factors and benchmark prices). All of Delphi's production from wells drilled subsequent to January 1, 2017 qualify for reduced Crown royalty rates under the Modern Royalty Framework which currently imposes a five percent royalty rate on all products until certain conditions are met. The Company's three new wells drilled in the first quarter of 2020 qualify for the lower rates under the Modern Royalty Framework.

Gross overriding royalties were 2.4 percent and 3.1 percent in the three and six months ended June 30, 2020 in comparison to 3.4 percent and 3.3 percent for the same periods in 2019. Production from the Company's 2020 winter drilling program are not encumbered by gross overriding royalties, reducing the overall gross overriding royalty rate. In addition, the Company shut-in production from wells that were encumbered with a gross overriding royalty during the second quarter of 2020.

OPERATING EXPENSES

	Three Months Ended June 30			Six Months Ended June 30		
	2020	2019	% Change	**2020**	2019	% Change
Production costs	**4,798**	8,217	(42)	**11,173**	15,732	(29)
Processing recoveries	**(211)**	(373)	(43)	**(527)**	(826)	(36)
Total	**4,587**	7,844	(42)	**10,646**	14,906	(29)
Per boe	**7.61**	9.41	(19)	**8.86**	9.19	(4)

Due to the steep decline in crude oil prices in the second quarter of 2020, the Company shut-in approximately 30 wells throughout the month of April and May along with associated batteries and rental equipment. The wells that were shut-in had higher operating and royalty costs associated with the production. With lower production levels, the Company was able to eliminate trucking water from West Bigstone by using its existing infrastructure to move natural gas and liquids to its 07-11 battery where the liquids are separated and the water is pumped into the Catapult pipeline for disposal. In addition, due to lower production volumes, a higher proportion of natural gas production was sweetened through the amine facility before being further processed at its 25 percent owned Bigstone sweet gas plant, reducing the volume of natural gas that is processed at more costly third party facilities.

The Company is continuing to evaluate field optimization techniques to continue to reduce operating costs as it brings on shut-in production.

TRANSPORTATION EXPENSES

	Three Months Ended June 30			Six Months Ended June 30		
	2020	2019	% Change	**2020**	2019	% Change
Transportation (1)	**2,339**	3,895	(40)	**4,682**	7,070	(34)
Transportation per boe	**3.88**	4.67	(17)	**3.90**	4.36	(11)

(1) Pipeline tariffs are classified as transportation expenses when the Company has firm commitments or contractual arrangements on the pipeline. Pipeline tariffs may also be incurred indirectly by way of deduction from the base price paid by the purchasers of the Company's commodities. In the latter case, and in the absence of a firm contractual obligation on the pipeline, the pipeline tariffs are presented as a reduction of revenue rather than as a transportation expense.

In the second week of June 2020, Delphi commenced shipping field condensate from its 7-11 battery in East Bigstone via a pipeline directly to a service terminal in Fox Creek, Alberta. The Company is expected to save in field condensate transportation as it eliminates wait times at the service terminal and additional trucking charges associated with spring time road bans as well as reduced road maintenance costs.

Transportation expenses in the three and six months ended June 30, 2020 decreased 40 percent and 34 percent in comparison to the same periods in 2019. The decrease in transportation expense is due to lower natural gas transportation, reduced field condensate transportation and natural gas liquids transportation. Natural gas transportation decreased as the Company shipped a higher proportion of its natural gas via the less costly NGTL transmission system in combination with reduced committed volumes on the Alliance pipeline system and increased marketing activities relating to its excess Alliance transportation. The Company permanently assigned approximately 16 mmcf/d of its Alliance service in November 2019. Transportation for field condensate decreased as a result of shipping the majority of the field condensate produced via the new condensate pipeline, eliminating high trucking charges in June. Commencing April 1, 2020, the Company no longer has firm transportation associated with its natural gas liquids. The transportation tariff is deducted by the purchaser and is netted off of the price received.

GENERAL AND ADMINISTRATIVE

	Three Months Ended June 30			Six Months Ended June 30		
	2020	2019	% Change	**2020**	2019	% Change
Gross expenses	**1,972**	1,749	3	**3,633**	3,978	(9)
Capitalized	**(67)**	(502)	(87)	**(423)**	(1,084)	(61)
General and administrative expenses	**1,905**	1,247	53	**3,210**	2,894	11
Per boe	**3.16**	1.50	111	**2.67**	1.78	50

General and administrative expenses ("G&A") for the three and six months ended June 30, 2020 were $1.9 million and $3.2 million compared to $1.2 million and $2.9 million in the comparative periods in 2019. G&A expenses before capitalization in the second quarter of 2020 are 3 percent higher than the same period in 2019 as the Company has recognized $0.5 million of bad debt expense related to disputed capital expenditures with a partner, partially offset by a decrease in personnel costs as the Company completed restructuring in November 2019 in conjunction with the Recapitalization Transaction, and suspended its employee savings plan on May 1, 2019. G&A expenses before capitalization decreased nine percent in the first half of 2020 compared to the same period in 2019. The decrease is due to lower personnel costs as a result of the restructuring in November 2019 and the suspension of the employee savings plan in May 2019. Capitalized expenses decreased as the Company has significantly reduced its capital program. Capitalized expenses are expected to increase once the Company emerges from CCAA.

RESTRUCTURING COSTS

	Three Months Ended June 30			Six Months Ended June 30		
	2020	2019	% Change	**2020**	2019	% Change
Restructuring costs	**3,096**	-	-	**3,274**	-	-
Per boe	**5.14**	-	-	**2.73**	-	-

A total of $3.1 million and $3.3 million of restructuring costs related to the CCAA proceedings were incurred in the three and six months ended June 30, 2020. Restructuring costs include legal, Monitor, consultants, financial advisory and investor relations services.

SHARE-BASED COMPENSATION

	Three Months Ended June 30			Six Months Ended June 30		
	2020	2019	% Change	**2020**	2019	% Change
Share-based compensation	**(21)**	134	(116)	**(23)**	442	(105)
Capitalized costs	**(1)**	(70)	(99)	**(3)**	(155)	(98)
Net	**(22)**	64	(134)	**(26)**	287	(109)
Per boe	**(0.04)**	0.08	(150)	**(0.02)**	0.18	(111)

Share-based compensation expense is the amortization over the vesting period of the fair value of stock options granted to employees and directors of the Company. The fair value of all options granted is estimated at the date of grant using the Black-Scholes option pricing model.

The Company recorded a recovery of share-based compensation in the three and six months of 2020 due to the departure of some employees and the related forfeiture of the stock options. The Company has not granted any stock options since the third quarter of 2018.

FINANCE COSTS

	Three Months Ended June 30			Six Months Ended June 30		
	2020			**2020**	2019	% Change
Interest	**3,694**	3,863	(4)	**7,519**	7,483	-
Finance charges in relation to lease obligations	**26**	80	(68)	**57**	153	(63)
Accretion of decommissioning liabilities	**68**	144	(53)	**179**	288	(38)
Finance charges	**8,528**	482	1,669	**9,176**	956	860
Foreign exchange (gain) loss	**14**	(1)	(1,500)	**(116)**	159	(173)
Total finance costs	**12,330**	4,568	170	**16,815**	9,039	86
Per boe	**20.46**	5.48	273	**14.00**	5.57	151

The Company is charged interest on its Interim Financing, senior credit facility and senior secured notes. In connection with the CCAA proceedings, the lenders of the senior credit facility exercised their right to terminate all of the Company's risk management contracts for which the proceeds were applied against the outstanding balance of the senior credit facility, reducing the balance outstanding to $13.0 million. The CCAA proceedings are considered an event of default under the senior credit facility, triggering an automatic increase in the applicable margins of two percent. The Interim Loan Facility bears an annual coupon of 4.5 percent and required an upfront payment of $0.5 million. Interest on the senior secured notes continues to accrue at a rate of ten percent. Interest in the second quarter of 2020 only decreased four percent despite a lower combined average balance of indebtedness as a higher proportion of the Company's outstanding indebtedness is related to the ten percent senior secured notes. In connection with the Recapitalization Transaction in November 2019, the Company issued $14.7 million of additional senior secured notes.

Accretion and finance charges are non-cash and primarily 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 liabilities 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 50 years. The decrease in accretion expense in the three and six months ended June 30, 2020 compared to the same period in 2019 is largely due to a lower decommissioning obligation as a result of a change in estimate related to the inflation rate used for the estimated liabilities.

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. Finance charges increased significantly in the three and six months ended June 30, 2020 as the Company accelerated the amortization of transaction costs related to the issue of the senior secured notes and the accretion of the senior secured notes to its face value. With the commencement of the CCAA proceedings on April 14, 2020, the full balance of the senior secured notes is considered due and payable at that date resulting in the acceleration of $6.7 million of accretion of senior secured notes to its face value of $119.6 million. In addition, the Company has accelerated the amortization of transaction costs related to the issue of senior secured notes over the estimated remaining contractual term which is anticipated to be September 2020 in connection with the Plan. In the quarter, the Company recognized $1.7 million of finance charges related to the accelerated amortization of transaction costs.

Delphi's foreign exchange gains and losses primarily relate to the conversion of US dollars to Canadian dollars for the settlement of transactions denominated in US dollars, primarily consisting of natural gas sales and pipeline tolls.

DEPLETION AND DEPRECIATION

	Three Months Ended June 30			Six Months Ended June 30		
	2020	2019	% Change	**2020**	2019	% Change
Depletion and depreciation	**6,942**	11,374	(39)	**14,689**	22,185	(34)
Impairment	**-**	61,737	(100)	**114,857**	61,737	86
Depletion, depreciation per boe	**11.52**	13.65	(16)	**12.23**	13.68	(11)
Impairment per boe	**-**	74.09	(100)	**95.63**	38.07	151

Depletion and depreciation in the three and six months ended June 30, 2020 decreased in comparison to the same period in 2019 primarily due to a 25 percent decrease in production. The depletion rate decreased 6 percent in the three and six months ended June 30, 2020, over the comparative period in 2019 primarily due to the efficiencies realized in our 2020 capital program related to the drilling and completion of three (3.0 net) West Bigstone wells.

Due to the outbreak of the COVID-19 pandemic and the decrease in demand for oil, coupled with the Saudi Arabia - Russia oil price war in the quarter, a significant drop in the forward commodity price curves occurred in the first quarter of 2020. The Company performed an impairment test on its Bigstone CGU, based on the recoverable amount estimated using a value in use calculation derived from expected future cash flows generated from proved and probable reserves using a blended pre-tax discount rate of approximately 15 percent plus an estimate of the fair value of the undeveloped land associated with the Bigstone CGU that is not considered exploration and evaluation. The difference between the carrying amount and the estimated recoverable amount resulted in the recognition of a $114.8 million impairment. In addition, an impairment related to a change in estimates of decommissioning obligations for non-producing properties of $0.1 million was also recognized.

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 June 30, 2020. Therefore, no deferred income tax recovery was recorded against the loss for the three and six months ended June 30, 2020.

Delphi does not have current income taxes payable and has estimated tax pools available at June 30, 2020 of $430.7 million (December 31, 2019 – $422.8 million).

ADJUSTED FUNDS FLOW

	Three Months Ended June 30			Six Months Ended June 30		
	2020	2019	% Change	**2020**	2019	% Change
Cash flow from operating activities	**16,969**	14,777	15	**23,799**	23,999	(1)
Decommissioning expenditures	**(40)**	-	-	**534**	-	-
Change in non-cash working capital	**(7,903)**	(2,814)	181	**(11,488)**	315	(3,747)
Adjusted funds flow[(1)]	**9,025**	11,963	(25)	**12,845**	24,314	(47)

(1) Refer to non–GAAP measures

Delphi's cash flow from operating activities increased 15 percent in three months ended June 30, 2020 over the comparative quarter of 2019. Delphi's adjusted funds flow decreased to $9.0 million in the three months ended June 30, 2020 from the $12.0 million in the three months ended June 30, 2019.

Delphi's cash flow from operating activities in the first half of 2020 decreased to $23.8 million, down one percent from the $24.0 million of cash flow from operating activities in the first half of 2019. Adjusted funds flow in the first half of 2020 decreased significantly to $12.8 million, in comparison to the first half of 2019 adjusted funds flow of $24.3 million.

The decrease in adjusted funds flow is primarily due to reduced crude oil and natural gas revenues and marketing income as well as significant restructuring costs associated with the CCAA proceedings partially offset by realized gains on risk management contracts and reductions in operating and transportation costs.

Adjusted funds flow in the second quarter excluding the gain on risk management contracts is a deficiency of $8.2 million. The proceeds from the realized gain on risk management contracts were used directly by the senior lenders' to partially repay the outstanding indebtedness under the senior credit facility.

	Three Months Ended June 30	Six Months Ended June 30
Adjusted Funds Flow [1], June 30, 2019	**11,963**	**24,314**
Impact on adjusted funds flow:		
Production volumes	**(3,405)**	**(7,907)**
Realized prices	**(14,305)**	**(21,897)**
Other income	**310**	**310**
Risk management activities	**15,179**	**17,958**
Marketing income	**(3,129)**	**(4,832)**
Netback expenses [2]	**5,188**	**7,728**
Restructuring costs	**(3,096)**	**(3,274)**
Finance charges	**207**	**335**
Settlement of unutilized take-or-pay contract	**(113)**	**110**
Adjusted Funds Flow [1], June 30, 2020	**9,025**	**12,845**

(1) Refer to non–GAAP measures
(2) Netback expenses include royalties, operating expenses, transportation and general and administrative costs.

CASH NETBACK AND EARNINGS ANALYSIS

	Three Months Ended June 30			Six Months Ended June 30		
	2020	2019	% Change	**2020**	2019	% Change
Net loss	**(22,164)**	(53,620)	(59)	**(132,134)**	(72,127)	83
Per boe	**(36.78)**	(64.35)	(43)	**(110.02)**	(44.48)	147
Per basic and diluted share	**(0.91)**	(4.35)	(79)	**(5.85)**	(5.85)	-

Delphi recorded a net loss of $22.2 million ($0.90 per basic and diluted share) and $132 million in the first three and six months of 2020, up from the net loss of $53.6 million ($4.35 per basic and diluted share) and $72.1 million recorded in the comparative periods of 2019. The increase in net loss in the second quarter of 2020 over the comparative period is primarily due to lower crude oil and natural gas revenues and restructuring costs. The increase in the net loss in the first six months of 2020 is due to lower revenues, restructuring costs and a higher impairment charge recorded in the first quarter of 2020.

	Three Months Ended June 30			Six Months Ended June 30		
Barrels of oil equivalent ($/boe)	**2020**	2019	% Change	**2020**	2019	% Change
Realized sales price	**15.46**	32.43	(52)	**19.63**	32.91	(40)
Marketing income (loss) [1]	**(2.60)**	1.87	(239)	**(1.67)**	1.75	(195)
Royalties	**(0.96)**	(1.93)	(50)	**(1.41)**	(1.91)	(26)
Operating expenses	**(7.61)**	(9.41)	(19)	**(8.86)**	(9.19)	(4)
Transportation	**(3.88)**	(4.67)	(17)	**(3.90)**	(4.36)	(11)
Operating netback before risk management contracts [1]	**0.41**	18.29	(98)	**3.79**	19.20	(80)
Realized gain on risk management contracts	**28.65**	2.50	1,046	**18.44**	2.59	612
Operating netback [1]	**29.06**	20.79	40	**22.23**	21.79	2
General and administrative expenses	**(3.16)**	(1.50)	111	**(2.67)**	(1.78)	50
Other income	**0.51**	-	-	**0.26**	-	-
Restructuring costs	**(5.14)**	-	-	**(2.73)**	-	-
Finance charges	**(6.19)**	(4.73)	31	**(6.21)**	(4.81)	29
Settlement of unutilized take-or-pay contract	**(0.09)**	(0.20)	(55)	**(0.19)**	(0.21)	(10)
Cash netback [1]	**14.99**	14.36	4	**10.69**	14.99	(29)

(1) Refer to non–GAAP measures

The Company's netback will continue to be impacted by swings in commodity prices and the realized gains or losses on the Company's risk management contracts.

In the second quarter, due to the steep decline in crude oil prices, the Company shut-in production with high operating costs and was able to further reduce operating expenses by using its own infrastructure for handling liquids and processing a higher proportion of its own production.

The decrease in the operating netback before risk management is reflective of the decline in commodity prices partially offset by savings in operating and transportation.

LIQUIDITY AND CAPITAL RESOURCES

As an oil and natural gas business, Delphi has a declining asset base and therefore relies on oil and natural 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. In addition, Delphi's cash flow depends on a number of factors, including commodity prices, sales volumes, production expenses, transportation expenses and royalties.

The Company completed a Recapitalization Transaction in November 2019 in order to improve the Company's liquidity and capital structure. As a result of the unprecedented steep decline in crude oil prices, at the end of March 2020, the Company was facing a breach of its Total Debt to EBITDA ratio and was was unable to negotiate an agreement with its senior secured lenders that would have provided a waiver or amendment of the financial covenant . On April 14, 2020, the Company commenced CCAA proceedings (see "Future Operations and CCAA Proceedings"). In order to provide the required liquidity to allow Delphi to continue to operate its business during the CCAA proceedings, the Company obtained $13.5 million in Interim Financing (see below).

The Company negotiated a proposed a Restructuring Transaction, to be implemented as a Plan under the CCAA and the Canada Business Corporations Act, that, if implemented in accordance with its terms, will allow the Company to substantially reduce its debt and associated interest costs, while improving available liquidity and injecting new capital to fund future operations. As part of the Plan, among other things, the Company will issue New Shares for gross proceeds of $31.2 million. All existing common shares, warrants and options of Delphi will be cancelled and extinguished for no consideration and without any return of capital.

In accordance with the policies of the TSX, in connection with the CCAA proceedings, the common shares and other securities of the Companywere delisted from the TSX effective at the close of market trading on May 21, 2020.

Net Debt

	June 30, 2020	December 31, 2019
Interim Facility	**10,671**	-
Senior credit facility	**13,006**	46,363
Senior secured notes (1)	**118,092**	103,510
Capital surcharge	**1,211**	-
Working capital deficit	**21,417**	5,424
Net debt(2)(3)	**164,397**	155,297

(1) $119.6 million principal amount of senior secured notes outstanding as at June 30, 2020
(2) Net debt excludes $5.7 million and $5.3 million as June 30, 2020 and December 31, 2019, respectively, of outstanding letters of credit
(3) Refer to non-GAAP measures

Interim Financing

	Interim Financing
Balance as at December 31, 2019	-
Interim loan facility	10,800
Transaction costs	(473)
Amortization of transaction costs	159
Interim loan facility	10,486
Loan under Interim letter of credit facility	185
Balance as at June 30, 2020	**10,671**

In connection with the CCAA proceedings and in order to provide required liquidity during the CCAA proceedings, the Company obtained interim financing arrangements provided ATB Financial pursuant to the Interim Letter of Credit Facility and by Luminus Energy pursuant to the Interim Loan Facility, together to form the Interim Financing. ATB Financial and Luminus Energy have been granted third and fourth ranking super-priority charges, respectively, over the Company's and its subsidiaries' assets and property in connection with such facilities.

The Interim Letter of Credit Facility is not to exceed $6.25 million and bears a fee of 6.75 percent payable quarterly in advance. The Company has approximately $5.9 million outstanding on the Interim Letter of Credit Facility.

The Company's Interim Loan Facility is not to exceed $13.5 million and is available until the earlier of i) October 30, 2020; ii) the implementation of a CCAA plan; iii) the expiry of the CCAA stay; and iv) the termination of the CCAA proceedings, together (the "Termination Date"). The Company paid an administrative charge on the Interim Loan Facility in an amount of 3.5 percent of the maximum amount available under the facility. The Interim Loan Facility bears an interest rate of 4.5 percent per annum with all accrued interest being due and payable in cash on the Termination Date. The Interim Loan Facility is not available on a revolving term basis. As at June 30, 2020, the Company had $10.8 million drawn on the Interim Loan Facility. Subsequent to June 30, 2020, the Company withdrew the remaining $2.7 million credit available under the Interim Loan Facility. The Interim Loan Facility and the accrued and unpaid interest is anticipated to be compromised in its entirety as part of the Plan in exchange for approximately 14.7% of the issued and outstanding New Shares of Delphi.

Proceeds of advances under the Interim Loan Facility may be used to provide for general corporate and working capital purposes, including funding of the CCAA proceedings, in accordance with the terms of the Interim Loan Facility.

In addition to customary affirmative covenant obligations, the Interim Loan Facility provides for certain information delivery requirements including a bi-weekly variance analysis of actual receipts and disbursements against the budget most recently approved by the Interim Loan Facility Lenders. Additionally, the Interim Loan Facility requires that there will be no net negative variance in the Company's actual expenditures from that set out in the most recently approved budget, in excess of 25% on a cumulative basis.

The Interim Loan Facility also contains customary negative covenants restricting certain of the Company's activities, including restrictions on the ability to incur indebtedness, incur liens, consummate certain fundamental changes, dispose of assets, and make restricted payments. Furthermore, the Interim Loan Facility contains customary events of default, in addition to the negative budget variance discussed above, as well as certain other CCAA proceeding related events. In the event of default, all amounts due under the Interim Loan Facility become immediately due and payable and the Company must apply to the Court for leave to exercise any and all of the rights and remedies of the lenders of the Interim Loan Facility, including without limitation for the appointment of a receiver or for a bankruptcy order.

Senior Credit Facility

	June 30, 2020	December 31, 2019
Senior Credit Facility		
Bankers' acceptances, net of discount	**-**	46,363
First lien claim	**13,006**	-
Balance as at June 30, 2020	**13,006**	46,363

At the end of March, due to the rapid decline in commodity prices, the Company was facing a breach of its Total Debt to EBITDA ratio under its credit agreement with the senior secured lenders for the quarter ended March 31, 2020. While in negotiations with the senior secured lenders, the credit facility was amended to revise the date by which the Company must comply with its financial covenants from March 31, 2020 to April 14, 2020. As the Company was unable to negotiate a waiver or amendment of the financial covenant with its senior secured lenders, the Company determined that it was necessary and in the best interest of the Company and its stakeholders to commence a court-supervised restructuring proceeding and on April 14, 2020 obtained an order from the Court under the CCAA. The stay of proceedings has been extended by the Court to October 9, 2020.

The commencement of the CCAA proceedings is an event of default under the senior credit facility resulting in the automatic termination of the borrowing base and acceleration of the amounts outstanding under the senior credit facility. Effective April 30, 2020, the senior lenders' exercised their right to terminate the commodity swap contracts held by the Company totaling $17.3 million. The proceeds were used to reduce the bank indebtedness owed to the senior lenders.

On May 8, 2020, Luminus Energy, an affiliate of a pooled investment vehicle of Luminus Management LLC ("Luminus"), purchased an assignment of all of the rights of Delphi's first lien senior secured lenders under Delphi's credit facilities. Luminus is a related party of Delphi which, through one or more of its pooled investment vehicles or affiliates thereof, holds 14,065,138 common shares, representing approximately 57% of Delphi's outstanding common shares, and approximately

$58.7 million principal amount of Delphi's senior secured notes, representing approximately 49% of the outstanding senior secured notes.

The senior credit facility and the accrued and unpaid interest is anticipated to be compromised in its entirety as part of the Plan in exchange for approximately 14.2% of the issued and outstanding New Shares of Delphi.

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

Senior Secured Notes

	Senior secured notes
Balance as at December 31, 2019	103,510
Issued	5,501
Transaction costs	(87)
Accretion of discount and amortization of issue costs	754
Acceleration of accretion and amortization of issue costs	8,414
Balance as at June 30, 2020	**118,092**

At June 30, 2020 Delphi had outstanding $119.6 million principal amount of ten percent senior secured notes which mature on April 15, 2023. Interest is payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year.

The senior secured notes are carried at amortized cost, net of transaction costs and are accreted to their principal balance at maturity using the effective interest rate method.

In connection with the Recapitalization Transaction, Delphi issued 7,332 senior secured notes through a private placement in February 2020. The senior secured notes were issued under the same indenture as the Existing Notes and collectively are treated as a single class of debt securities with identical terms.

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 and the Interim Financing, which was granted a super priority charge on the Company's assets.

The Company did not make the interest payment due on April 15, 2020 as required under the senior secured notes indenture which is an event of default. Additionally, with the commencement of the CCAA proceedings on April 14, 2020, the full balance of the senior secured notes is considered due and payable at that date and, as such, is classified as a current liability. Any efforts to enforce such payment obligations are stayed pursuant to the Initial Order. As such, the Company has accelerated the accretion of senior secured notes to its face value of $119.6 million. In addition, the Company has accelerated the amortization of transaction costs related to the issue of senior secured notes over the estimated remaining contractual term which is anticipated to be September 2020 assuming implementation of the Plan.

As a result of the commencement of CCAA proceedings on April 14, 2020, a return event related to the Recapitalization Transaction has occurred in respect of Delphi's previously issued ESRs and NSRs. In accordance with their terms, all outstanding ESRs and NSRs were cancelled and the escrowed proceeds in respect of the ESRs and NSRs (in the aggregate amount of $15.5 million), together with all interest accrued thereon and escrowed note fee payments previously paid by Delphi in respect of the NSRs, have been returned to their holders.

The senior secured notes and the accrued and unpaid interest is anticipated to be compromised in its entirety as part of the Plan in exchange for approximately 36.5% of the issued and outstanding New Shares of Delphi.

CAPITAL SURCHARGE

	Capital surcharge
Balance as at December 31, 2019	-
Fair value of payments	1,754
Deferred finance charges	(543)
Balance as at June 30, 2020	**1,211**

The Company received funds to build certain infrastructure in order to connect to a third party pipeline to transport field condensate from the Company's main battery. The funds received plus a certain after-tax rate of return ("Capital Surcharge") are to be repaid. On a monthly basis, the Company will pay a toll based on the volumes that are transported via the third party pipeline, drawing down the amount outstanding on the Capital Surcharge. The Company can repay the remaining outstanding Capital Surcharge in full at any time as long as it is repaid within five years. The Company has used a discount rate of 11.25 percent to fair value the estimated cash outflows associated with the Capital Surcharge. The Capital Surcharge is presented net of deferred finance charges. The Capital surcharge has an effective interest rate of 28 percent. The Company has assumed that it will pay the Capital Surcharge over five years.

Share Capital

In accordance with the policies of the TSX, in connection with the CCAA proceedings, the common shares and other securities of the Company were delisted from the TSX effective at the close of market trading on May 21, 2020.

As at August 20, 2020, the Company had 24.5 million common shares outstanding, 4.2 million stock options outstanding, and 88.2 million warrants outstanding. The stock options have an average exercise price of $1.08 per option and the warrants have an average exercise price of $0.36 per warrant**.** Each stock option and warrant are exercisable for one fifteenth of a post-consolidated common share of the Company.

As part of the Plan, all existing common shares, warrants and options of Delphi will be cancelled and extinguished for no consideration and without any return of capital.

CONTRACTUAL OBLIGATIONS OUTSTANDING

The Company is committed to future minimum payments for natural gas transmission and processing and leases on compression equipment. The Company also has a lease for office space in Calgary, Alberta.

The commencement of the CCAA proceedings is an event of default under the senior credit facility resulting in the automatic termination of the borrowing base and acceleration of the amounts outstanding under the senior credit facility, therefore, the bank debt outstanding has been classified as a current liability.

The Company did not make an interest payment due on April 15, 2020 as required under the senior secured notes indenture which is an event of default. Additionally, with the commencement of the CCAA proceedings on April 14, 2020, the full balance of the senior secured notes is considered due and payable at that date. Any efforts to enforce such payment obligations are stayed pursuant to the Initial Order.

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

	2020	2021	2022	2023	2024	Thereafter
Gathering, processing and transmission (1)	6,189	14,405	14,402	14,400	14,399	12,448
Office, equipment and software leases	71	298	298	298	275	-
Accounts payable and accrued liabilities (2)	40,120	-	-	-	-	-
Capital surcharge	197	345	345	345	345	176
Decommissioning obligations (3)	1,017	339	156	1,628	388	24,019
Interest payments on senior secured notes (2)	8,975	11,967	11,967	2,992	-	-
Accrued interest on interim and senior credit facilities (2)	127	-	-	-	-	-
Senior credit facility (2)	13,006	-	-	-	-	-
Interim Facility (2)	10,800	-	-	-	-	-
Senior secured notes	119,666	-	-	-	-	-
Total	200,168	27,354	27,168	28,638	18,399	36,643

(1) Balances denominated in U.S. dollars have been translated at the June 30, 2020 exchange rate.
(2) Amounts subject to compromise under the Plan
(3) 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 other than those previously disclosed in the future minimum commitments table above.

SELECTED INFORMATION

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

	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep. 30, 2018
Production								
(boe conversion – 6:1 basis)								
Field condensate (bbls/d)	2,300	1,683	1,747	2,154	2,762	2,323	2,644	2,196
Natural gas liquids (bbls/d)	840	958	1,027	1,299	1,245	1,265	1,289	1,359
Natural gas (mcf/d)	20,897	23,601	25,487	29,600	30,897	31,024	33,063	35,751
Barrels of oil equivalent (boe/d)	6,623	6,575	7,022	8,386	9,157	8,759	9,444	9,514
Financial								
($ thousands, except per share)								
Crude oil and natural gas sales	9,316	14,259	19,147	20,612	27,026	26,353	26,786	31,399
Net earnings (loss)	22,164	(109,970)	(13,082)	10,628	(53,620)	(18,507)	(17,318)	1,252
Per share – basic & diluted	(0.91)	(5.31)	(0.89)	0.90	(4.35)	(1.50)	(1.35)	0.15
Adjusted funds flow(1)	9,025	3,819	6,573	21,291	11,963	12,351	8,890	11,600
Per share – basic & diluted(1)(2)	0.40	0.18	0.45	1.65	0.90	1.05	0.75	0.90

(1) Refer to non-GAAP measures
(2) Comparative period per share amounts have been adjusted to reflect the prior year's 15:1 common share consolidation

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 production performance, shut-in production and new wells through successful drilling.

In the first quarter of 2019, Delphi concluded drilling the last well on its four-well pad, completed fracturing operations and commenced equipping operations. Production in the quarter fell to 8,759 boe/d, down seven percent from the fourth quarter of 2018 as no additional wells were brought on production. Production in the second quarter of 2019 increased to 9,157 boe/d as the four-well pad was tied in and brought on-stream throughout the second quarter. The Company did not drill additional wells in 2019. Production in the third and fourth quarter of 2019 decreased to 8,386 boe/d and 7,022 boe/d, respectively.

In the first three months of 2020, Delphi drilled three wells in liquids-rich West Bigstone. Two of the three wells have been brought on-stream and produced throughout the second quarter. These wells are the only new wells brought on production since the Company brought on production a four-well (2.6 net) pad in West Bigstone in the second quarter of 2019. In response to the steep decline in crude oil prices, the Company delayed the start-up of the third well from the winter 2020 program and shut-in approximately 30 wells throughout the month of April and May. Production in the second quarter averaged 6,623 boe/d, up marginally from the 6,575 boe/d produced in the first quarter of 2020 and down 28 percent from the comparative quarter in 2019.

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, 2019 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.

In the current accounting period, the Company adopted and applied IAS 20 Accounting for Government Grants and Disclosure of Government Assistance.

Government grants

The Company may receive government grants which provide immediate financial assistance as compensation for costs or expenditures to be incurred. Government grants are accounted for when there is reasonable assurance that conditions attached to the grants are met and that the grants will be received. The Company recognizes government grants in net income on a systematic basis and in line with recognition of the expenses that the grants are intended to compensate.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest level of investor confidence in the Company through the application of its corporate policies and procedures. See Delphi's 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 senior management, to allow timely decisions regarding required disclosure. Senior management has 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 April 1, 2020 and ending on June 30, 2020 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.

WITHDRAWAL OF CORPORATE GUIDANCE AND FORWARD-LOOKING INFORMATION

While the CCAA proceedings are ongoing, the Company's operations will be limited by the terms of the Interim Financing and by orders granted by the Court in the CCAA proceedings. The Company's future operations and capital program will be dependent on the outcome of the CCAA proceedings. As a result of the uncertainty associated with CCAA proceedings, many of the assumptions related to the previous guidance published by the Company may no longer be accurate. The Company is withdrawing all previously disclosed forward-looking information including, but not limited to, the guidance disclosed in the March 10, 2020 MD&A.

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 debt to EBITDA ratio - The calculation of adjusted debt excludes accounts payable and accrued liabilities, decommissioning obligations, the fair value of financial instruments and lease obligations. The calculation includes outstanding letters of credit, the senior credit facility, liabilities associated with the unutilized take-or-pay contract 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 and lease obligations. This definition is used by the Company in determining its net debt.

Cash flow from operating activities per share – cash flow from operating activities divided by the number of common shares outstanding calculated using weighted average shares outstanding consistent with the calculation of earnings (loss) per share.

Marketing income - the margin earned on the sale of purchased third party natural gas volumes and premiums received on the assignment of 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 interim financing, senior credit facility, senior secured notes and the long term portion of lease obligations plus (minus) the adjusted working capital deficit (surplus). Net debt is used by management to monitor its leverage levels.

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, finance charges associated with lease obligations, foreign exchange, general and administrative costs, 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

Certain information contained herein may contain forward looking statements within the meaning of applicable securities laws. The use of any of the words "position", "continue", "opportunity", "expect", "plan", "maintain", "estimate", "assume", "target", "believe" "forecast", "intend", "strategy", "will", "elect", "anticipate", "enhance" and similar expressions are intended to identify forward-looking statements. More particularly and without limitation, this document contains forward-looking statements concerning Delphi's intent to continue to pay its employees for services rendered during the CCAA proceedings; Delphi's intent to pay its suppliers for goods and services provided to the Company following the commencement of the CCAA proceedings; the ability of the Company to complete and implement the Restructuring Transaction and the Plan, and the timing thereof; potential obligations of the Company that could be subject to compromise as a result of the CCAA proceedings; and the Company's ability to continue future operations as a going concern. Forward-looking statements necessarily involve risks, including, without limitation, the risks as identified under the headings "Future Operations" and "Liquidity and Capital Resources" herein. Events or circumstances may cause actual results to differ materially from those predicted, as a result of the risk factors set out herein and other known and unknown risks, uncertainties, and other factors, many of which are beyond the control of Delphi. In addition, forward looking statements or information are based on a number of factors and assumptions as set out herein which have been used to develop such statements and information but which may prove to be incorrect and which have been used to develop such statements and information in order to provide shareholders with a more complete perspective on Delphi's future operations. In particular, implementation of the Restructuring Transaction and the Plan is subject to satisfaction of all conditions to their implementation, including approval by the required majorities of creditors at the Meetings and an order of the Court sanctioning the Plan under the CCAA. Such information may prove to be incorrect and readers are cautioned that the information may not be appropriate for other purposes. Although the Company believes that the expectations reflected in such forward looking statements or information are reasonable, undue reliance should not be placed on forward looking statements because the Company can give no assurance that such expectations will prove to be correct. Readers are cautioned that the factors and assumptions identified herein are not exhaustive of all factors and assumptions which have been used. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements. Additional information on these and other factors that could affect Delphi's operations and financial results are included in reports, including under the heading "Risk Factors" in the Company's annual information form for the year ended December 31, 2019, on file with Canadian securities regulatory authorities, which may be accessed through the SEDAR website (www.sedar.com). Furthermore, the forward looking statements contained herein are made as at the date hereof and Delphi does not undertake any obligation to update publicly or to revise any of the included forward looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws. The reader is further cautioned that the preparation of financial statements in accordance with GAAP requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. Estimating reserves is also critical to several accounting estimates and requires judgments and decisions based upon available geological, geophysical, engineering and economic data. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available, and as the economic environment changes.

DELPHI ENERGY CORP.

Condensed Consolidated Statements of Financial Position

(thousands of dollars)	**June 30, 2020**	December 31, 2019
(unaudited)		
Assets		
Current assets		
Cash and cash equivalents	**13,720**	526
Accounts receivable	**8,930**	12,673
Prepaid expenses and deposits	**3,110**	1,738
Fair value of financial instruments (Note 5)	**-**	6,306
	25,760	21,243
Fair value of financial instruments (Note 5)	**-**	23
Exploration and evaluation (Note 6)	**9,072**	8,963
Property, plant and equipment (Note 7)	**167,487**	272,119
Total assets	**202,319**	302,348
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**10,170**	18,657
Interim letter of credit facility (note 9)	**185**	-
Lease obligations	**363**	590
Capital surcharge (Note 12)	**138**	-
Decommissioning obligations (Note 8)	**1,017**	1,704
Liabilities subject to potential compromise (Note 2d)	**177,211**	-
	189,084	20,951
Senior credit facility (Note 10)	**-**	46,363
Senior secured notes (Note 11)	**-**	103,510
Lease obligations	**688**	715
Capital surcharge (Note 12)	**1,073**	-
Decommissioning obligations (Note 8)	**26,531**	23,550
Total liabilities	**217,376**	195,089
Shareholders’ equity (deficiency)		
Share capital (Note 13)	**363,683**	353,842
Warrants (Note 13)	**5,627**	5,627
Contributed surplus	**22,178**	22,201
Deficit	**(406,545)**	(274,411)
Total shareholders’ equity (deficiency)	**(15,057)**	107,259
Total liabilities and shareholders’ equity (deficiency)	**202,319**	302,348

See accompanying notes to the condensed consolidated interim financial statements.

Subsequent events (Notes 2, 5, 9)
Going Concern, Basis of Presentation and CCAA Proceedings (Note 2)

DELPHI ENERGY CORP.

Condensed Consolidated Statements of Loss and Comprehensive Loss
For the three and six months ended June 30,

	Three Months Ended June 30		Six Months Ended June 30	
(thousands of dollars, except per share amounts)	**2020**	2019	**2020**	2019
(unaudited)				
Revenues				
Crude oil and natural gas sales (Note 14)	**9,316**	27,026	**23,575**	53,379
Marketing revenue	**2,872**	2,554	**3,823**	4,491
Royalties	**(580)**	(1,612)	**(1,697)**	(3,093)
Other income	**310**	-	**310**	-
	11,918	27,968	**26,011**	54,777
Realized gain on financial instruments (Note 5)	**17,265**	2,086	**22,154**	4,196
Unrealized gain (loss) on financial instruments (Note 5)	**(15,729)**	7,699	**(6,329)**	(11,673)
	13,454	37,753	**41,836**	47,300
Expenses				
Operating	**4,587**	7,844	**10,646**	14,906
Transportation	**2,339**	3,895	**4,682**	7,070
Marketing	**4,441**	994	**5,823**	1,659
General and administrative	**1,905**	1,247	**3,210**	2,894
Restructuring costs (note 15)	**3,096**	-	**3,274**	-
Share-based compensation	**(22)**	64	**(26)**	287
Gain on dispositions	**-**	(350)	**-**	(350)
Depletion, depreciation and impairment (Note 7)	**6,942**	73,111	**129,546**	83,922
	23,288	86,805	**157,155**	110,388
Finance costs (note 11 and 16)	**12,330**	4,568	**16,815**	9,039
Net loss and comprehensive loss	**(22,164)**	(53,620)	**(132,134)**	(72,127)
Net loss per share (Note 13)				
Basic and diluted	**(0.91)**	(4.35)	**(5.85)**	(5.85)

See accompanying notes to the condensed consolidated interim financial statements.

DELPHI ENERGY CORP.

Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
For the six months ended June 30,

(thousands of dollars)	**2020**	2019
(unaudited)		
Share capital		
Common shares		
Balance, beginning of period	**353,842**	347,011
Private placement (Note 13)	**10,000**	-
Share issue costs	**(159)**	-
Balance, end of period	**363,683**	347,011
Warrants		
Balance, beginning and end of period	**5,627**	3,055
Contributed surplus		
Balance, beginning of period	**22,201**	21,803
Share-based compensation	**(23)**	442
Balance, end of period	**22,178**	22,245
Deficit		
Balance, beginning of period	**(274,411)**	(199,830)
Net loss	**(132,134)**	(72,127)
Balance, end of period	**(406,545)**	(271,957)
Total shareholders' equity (deficiency)	**(15,057)**	100,354

See accompanying notes to the condensed consolidated interim financial statements.

DELPHI ENERGY CORP.

Condensed Consolidated Statements of Cash Flows
For the three and six months ended June 30,

	Three Months Ended June 30		Six Months Ended June 30	
(thousands of dollars)	**2020**	2019	**2020**	2019
(unaudited)				
Cash flow from (used in) operating activities				
Net loss	**(22,164)**	(53,620)	**(132,134)**	(72,127)
Adjustments for:				
Depletion, depreciation and impairment	**6,942**	73,111	**129,546**	83,922
Accretion and finance charges	**8,596**	626	**9,355**	1,244
Share-based compensation	**(22)**	64	**(26)**	287
Gain on dispositions	**-**	(350)	**-**	(350)
Unrealized (gain) loss on financial instruments	**15,729**	(7,699)	**6,329**	11,673
Settlement of unutilized take-or-pay contract	**(56)**	(169)	**(225)**	(335)
Decommissioning expenditures (Note 8)	**40**	-	**(534)**	-
Change in non-cash working capital (Note 17)	**7,904**	2,814	**11,488**	(315)
	16,969	14,777	**23,799**	23,999
Cash flow from (used in) financing activities				
Issue of shares, net of transaction costs	**-**	-	**9,841**	-
Increase in interim financing (Note 9)	**10,671**	-	**10,671**	-
Increase (decrease) in senior credit facility (Note 10)	**(31,473)**	6,598	**(33,357)**	15,434
Repayment of lease obligations	**(147)**	(205)	**(300)**	(408)
Capital surcharge (Note 12)	**1,211**	-	**1,211**	-
Issue of senior secured notes, net of issue costs (Note 11)	**-**	-	**5,414**	-
	(19,738)	6,393	**(6,520)**	15,026
Cash flow available for investing activities	**(2,769)**	21,170	**17,279**	39,025
Cash flow from (used in) investing activities				
Additions to exploration and evaluation assets	**(12)**	(122)	**(109)**	(264)
Additions to property, plant and equipment	**(24)**	(4,268)	**(22,215)**	(26,604)
Change in non-cash working capital (Note 17)	**(2,932)**	(16,575)	**18,239**	(14,957)
	(2,968)	(20,965)	**(4,085)**	(41,825)
Increase (decrease) in cash and cash equivalents	**(5,737)**	205	**13,194**	(2,800)
Cash and cash equivalents, beginning of period	**19,457**	700	**526**	3,705
Cash and cash equivalents, end of period	**13,720**	905	**13,720**	905
Cash interest paid	**983**	4,482	**4,805**	7,679

See accompanying notes to the condensed consolidated interim financial statements.

1) STRUCTURE OF DELPHI

Delphi Energy Corp. (“Delphi” or the “Company”) is a 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 approximately 98 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.

In accordance with the policies of the Toronto Stock Exchange (the “TSX”), trading in Delphi’s common shares and other securities were suspended on April 14, 2020 and then delisted from the TSX effective at the close of market trading on May 21, 2020 (note 2).

The condensed consolidated interim financial statements as at and for the three and six months ended June 30, 2020 and 2019 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, 2019.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on August 31, 2020.

(b) Basis of measurement and functional currency

The condensed consolidated interim financial statements have been prepared using historical costs, except for derivative financial instruments 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) Going Concern and Basis of Presentation

On April 14, 2020, the Company obtained an initial order (the “Initial Order”) from the Court of Queen’s Bench of Alberta (the “Court”) under the Companies’ Creditors Arrangement Act (“CCAA”). At the end of March, due to the rapid decline in crude oil prices, Delphi was facing a breach of its Total Debt to EBITDA ratio at March 31, 2020 under its credit agreement with its senior secured lenders. Further, for the six months ended June 30, 2020 Delphi recorded a net loss of $132 million, had a working capital deficit of $163 million and is not currently able to discharge its liabilities. Furthermore, there have been liens placed on the Company’s assets. As a result of the foregoing, a material uncertainty does exist that casts significant doubt on the Company’s ability to continue as a going concern.

Future operations are dependent on the Company being able to restructure its balance sheet and obtain the financing necessary to continue operations in order to provide the opportunity to generate positive cash flow from operations, maintain existing operations and have the ability to discharge obligations as they become due. Also, future operations are dependent on the Company's ability to comply with the covenants contained in the Interim Financing agreement (see further discussion below in 2(d)) and the Company's ability to successfully complete the Restructuring Transaction (see further discussion below in 2(d)). Currently, the Company has creditor protection continuing until October 9, 2020 to facilitate the completion of the Restructuring Transaction, however, there is no guarantee that the Company will be successful in completing the Restructuring Transaction within the required time-frame. As a result of the Company's current financial condition, there exists a material uncertainty that causes significant doubt about the Company's ability to meet its obligations as they become due and to continue as a going concern.

These interim financial statements have been prepared on a basis which assumes that the Company will continue to have the ability to realize its assets and discharge its liabilities and commitments in a planned manner giving consideration to expected possible outcomes. Accordingly, no adjustments have been made to these condensed consolidated interim financial statements relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that may be necessary should the Company not continue as a going concern. These adjustments, if any, could be material and will be reflected in the consolidated financial statements of a later period.

(d) CCAA Proceedings

With the unprecedented oil price collapse caused by the Russia-Saudi Arabia oil price war and an over supplied market due to an overwhelming decline in demand caused by the COVID-19 pandemic, the Company was facing a breach of its Total Debt to EBITDA ratio at March 31, 2020 under its credit agreement with its senior secured lenders. Delphi was unable to negotiate an agreement with its senior secured lenders that would have provided a waiver or amendment of the financial covenant. Accordingly, Delphi determined that in the circumstances, it was necessary and in the best interests of the Company and its stakeholders to seek protection under the CCAA. On April 14, 2020, the Company obtained an initial order Initial Order from the Court under the CCAA. PricewaterhouseCoopers Inc. has been appointed monitor (the "Monitor") in the CCAA proceedings.

As a result of the commencement of CCAA proceedings, a return event occurred in respect of Delphi's previously issued equity subscription receipts ("ESRs") and note subscription receipts ("NSRs") effective April 14, 2020. In accordance with their terms, all outstanding ESRs and NSRs were cancelled and the escrowed proceeds in respect of the ESRs and NSRs (in the aggregate amount of $15.5 million), together with all interest accrued thereon and escrowed note fee payments previously paid by Delphi in respect of the NSRs, have been returned to their holders.

The Initial Order in the CCAA proceedings grants the Company the authority to carry on business in a manner consistent with the preservation of its business and property. The Initial Order is designed to stabilize operations and business relationships with contractors, suppliers and creditors and to provide an opportunity for the Company to, among other things, recapitalize the Company and negotiate a settlement of liabilities. The Initial Order provides, among other things, that the Company is authorized and empowered to continue corporate and operational activities and to continue to retain employees, consultants, agents, experts, accountants, counsel and such other persons considered necessary by the Company in the ordinary course of business.

On May 22, 2020, the Company obtained an order from the Court to extend the stay period to October 9, 2020. To provide the required liquidity during the CCAA proceedings, the Company obtained interim financing arrangements provided by ATB Financial pursuant to an interim letter of credit facility (the "Interim Letter of Credit Facility") and by Luminus Energy IE Designated Activity Company ("Luminus Energy") pursuant to an interim loan facility (the "Interim Loan Facility"), together to form the interim financing (the "Interim Financing") (see Note 9). ATB Financial and Luminus Energy have respectively been granted third and fourth ranking super-priority charges over the Company's and its subsidiaries' assets and property in connection with such facilities.

The commencement of the CCAA proceedings is an event of default under the senior credit facility and the senior secured notes and accordingly, such liabilities are classified as current liabilities. In accordance with counterparty agreements, the CCAA proceeding also resulted in the risk management contracts being terminated with early settlements effective on or about April 30, 2020 (refer to note 5). The net proceeds from the early settlements were applied against the outstanding balance owing to the senior secured lenders.

In July, the Company negotiated a proposed recapitalization and financing transaction ("Restructuring Transaction"), to be implemented as a plan of compromise and arrangement (the "Plan") under the CCAA and the Canada Business Corporations Act, that, if implemented in accordance with its terms, would enable the Company to substantially reduce its debt and associated interest costs, while improving available liquidity and injecting new capital to fund future operations.

In connection with the Plan, the Company has entered into a restructuring support agreement (the "Support Agreement") with Luminus Energy, Concise Capital Management, LP and Stornoway Portfolio Management, Inc., directly and/or through their managed funds (the "Initial Plan Sponsors"). Pursuant to the Support Agreement, the Initial Plan Sponsors have, among other things, agreed to provide $8.75 million in cash to be held in trust, in part, to fund the Plan (the "Plan Sponsor Funds") and to take other actions to support the Plan.

Concurrent with execution of the Support Agreement, Delphi also entered into a capital investment agreement (the "Investment Agreement") with Kiwetinohk Resources Corp. ("KRC") pursuant to which KRC has agreed to make a $22.9 million capital investment (the "Capital Investment") in Delphi upon emergence from CCAA in exchange for shares and warrants, as further described below.

On July 10, 2020, the Company obtained orders from the Court that, among other things, approved the Support Agreement, the Investment Agreement and the Capital Investment Agreement.

The implementation of the Restructuring Transaction and the Plan is conditional upon, among other things: (i) the approval by the required majorities of holders of the Company's senior secured notes due 2023 ("Second Lien Notes") and General Unsecured Creditors (as such term is defined in the Plan) of Delphi voting at separate meetings

("Meetings") of those creditors to be called for such purpose, which Meetings are to be held on September 9, 2020; and (ii) if the Plan is approved at the Meetings, an order of the Court sanctioning the Plan under the CCAA.

Restructuring Transaction

The Plan and the Restructuring Transaction include the following key elements:

- The operations of Delphi will continue as normal and without disruption following the implementation of the Plan;

- The Company's Interim Loan Facility, senior secured facility and senior secured notes will be settled in exchange for approximately 14.7%, 14.2% and 36.5% of the issued and outstanding voting common shares of a newly created class of shares of the Company (the "New Shares"), respectively, subject to the Second Lien Opt-Out-Election (as defined below);

- Subject to the terms and limits set out in the Plan, beneficial holders of senior secured notes holding an aggregate principal amount of senior secured notes equal to or less than $200,000 will have the opportunity to elect (the "Second Lien Opt-Out Election") to receive cash in the amount of $0.25 per dollar of outstanding principal amount senior secured notes in lieu of the New Shares that they would otherwise be entitled to receive pursuant to the Plan; provided that, in the event that the aggregate of all payments pursuant to the Second Lien Opt-Out Election would exceed the aggregate amount of $1 million, such payment will be reduced on a pro rata basis so that total payments pursuant to the Second Lien Opt-Out Election do not exceed $1 million;

- In exchange for the Plan Sponsor Funds, the Initial Plan Sponsors will be issued approximately 9.6% of the issued and outstanding New Shares;

- In exchange for the Capital Investment, KRC will be issued 25% of the New Shares, plus warrants that are exercisable into such number of shares as will result in KRC holding 50%+1 of the New Shares upon satisfaction of certain conditions in the future and payment of an aggregate exercise price equal to approximately $37.5 million (subject to certain adjustments in accordance with the terms of the warrants);

- General unsecured creditors with accepted claims less than or equal to $5,000 ("Convenience Class Creditors"), and other general unsecured creditors who make an election to be treated as Convenience Class Creditors, will be paid in full up to $5,000;

- All other general unsecured creditors will be entitled to payment in respect of their accepted claims based on their pro rata share of a general unsecured creditors cash pool in the amount of $3 million, less amounts required to fund payments to Convenience Class Creditors. Beneficial holders of senior secured notes will be entitled to be treated as general unsecured creditors in respect of a deficiency claim in the aggregate amount of approximately $83.8 million (plus all accrued and outstanding fees, costs and interest owing pursuant to the indenture governing the senior secured notes);

- Delphi will grant to certain officers and directors of the Company options and restricted share units entitling them to acquire in the aggregate 10% of the issued and outstanding New Shares; and

- All existing common shares, warrants and options of Delphi (collectively, the "Equity Claims") will be cancelled and extinguished for no consideration and without any return of capital. Holders of Equity Claims will not be entitled to attend or vote at the Meetings. In connection with the Plan, Delphi has entered into a new investor agreement with Luminus Energy and KRC granting them certain board nomination and approval rights.

As at June 30, 2020, in connection with the CCAA proceedings, the Company identified the following obligations that are subject to potential compromise:

Interim financing (Note 9)	10,486
Interest on interim financing	31
Senior secured facility (Note 10)	13,006
Interest on senior secured facility	96
Senior secured notes (Note 11)	118,092
Interest on senior secured notes	5,549
Accounts payable	29,951
Total liabilities subject to potential compromise	177,211

The above amounts represent their amortized cost as at June 30, 2020 and have not been adjusted to fair value. As indicated above, the above obligations that are subject to potential compromise are based on management's best estimate as to the potential outcomes of the Plan; however, the extent of potential compromise is subject to future events including completion of the Restructuring Transaction and the amounts may be subject to material adjustments.

There can be no guarantee that the Company will be successful in completing the Plan and the Restructuring Transaction.

(e) 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.

Since December 31, 2019, the outbreak of the COVID-19 pandemic has had a significant negative impact on economic conditions around the world. The large decrease in demand for oil, coupled with the Saudi Arabia - Russia oil price war in early March, has resulted in significant volatility of commodity prices as well as increased economic uncertainty.

There is continued ongoing uncertainty surrounding COVID-19 and the extent and duration of its impact on commodities demand, our employees, our suppliers and on global financial markets. As a result of the material drop in the forward commodity price curves, the Company recorded an impairment on its Bigstone CGU for the three months ended March 31, 2020 of $114.9 million (note 7). There is an increased potential for further impairments or reversals of impairment over the duration of the pandemic due to increased volatility in commodity prices and decreased global economic activity.

The Company historically has not experienced material collection issues with petroleum and natural gas marketers as a significant portion of these receivables are with creditworthy purchasers. To protect against credit losses from joint asset partners, the Company has the ability to withhold production in the event of non-payment and the ability to obtain the partners' share of capital expenditures in advance of a project. The Company continues to expect that its receivables are substantially collectible at June 30, 2020.

The COVID-19 pandemic is an evolving situation that will continue to have widespread implications for our business environment, operations and financial conditions. Management cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact our consolidated statement of loss and comprehensive loss, statement of financial position, or statement of consolidated cash flows in fiscal 2020. The potential direct and indirect impacts of the economic downturn have been considered in management's estimates and assumptions at period end and have been reflected in our results with any significant change described above. In preparing these condensed consolidated interim financial statements, other than the critical judgments noted above that management has incorporated into the process, Delphi's accounting policies were the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2019, except for those accounting policies described below.

3) SIGNIFICANT ACCOUNTING POLICIES

In the current accounting period, the Company adopted and applied IAS 20 Accounting for Government Grants and Disclosure of Government Assistance.

Government grants

The Company may receive government grants which provide immediate financial assistance as compensation for costs or expenditures to be incurred. Government grants are accounted for when there is reasonable assurance that conditions attached to the grants are met and that the grants will be received. The Company recognizes government grants in net income on a systematic basis and in line with recognition of the expenses that the grants are intended to compensate.

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) Senior credit facility and senior secured notes:

The fair value disclosure of the Company's senior credit facility and Interim Facility approximates its carrying value as it bears interest that is reflective 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 Company's $119.7 million senior secured notes have a fair value of $65.8 million based on March 20, 2020 trading values, the last day the senior secured notes traded before they were delisted.

(c) Capital surcharge

The Company's capital surcharge is measured at level 3 of the fair value hierarchy. The fair value of the capital surcharge is based on the discounted future cash flows associated with the capital surcharge. The fair value approximates the carrying value as the discount rate used for the measurement of the cash flows is reflective of the Company's credit premium.

(d) Derivatives:

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

5) FINANCIAL RISK MANAGEMENT

In an effort to mitigate commodity price fluctuations for natural gas, crude oil and natural gas liquids, Delphi enters into financial commodity contracts as part of its risk management program 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).

Contract Type	June 30, 2020	December 31, 2019
Natural gas contracts asset	-	1,100
Propane contracts asset	-	698
Crude oil contracts asset	-	4,468
Foreign exchange contracts asset	-	63
Net risk management contracts asset	-	6,329

As at June 30, 2020, the Company did not have any commodity risk management contracts outstanding. On April 30, 2020, the senior lenders' terminated all of the Company's commodity risk management contracts for proceeds of $17.3 million which were used to reduce indebtedness owing under the senior credit facilities. The termination of the commodity risk management contracts resulted in realized gains on risk management of $17.3 million for the second quarter of 2020.

For the three months ended June 30, 2020, Delphi recorded an unrealized loss on its risk management contracts of $15.7

million. The unrealized loss recognized for the three months ended June 30, 2020 is the difference between the fair values of the risk management contracts outstanding as at June 30, 2020 and the fair values as at March 31, 2020.

For the six months ended June 30, 2020, Delphi recorded an unrealized loss on its risk management contracts of $6.3 million. The unrealized loss recognized for the six months ended June 30, 2020 is the difference between the fair values of the risk management contracts outstanding as at June 30, 2020 and the fair values as at December 31, 2019.

Subsequent to June 30, 2020, Delphi entered into the following crude oil contracts.

Crude Oil Contracts

Time Period	Type of Contract	Quantity Contracted	Price ($/unit)	Reference
August 2020 (1)	Put Option	1,129 bbls/d	$55.00 Cdn	WTI
September 2020 (1)	Put Option	1,000 bbls/d	$55.00 Cdn	WTI
October 2020 (1)	Put Option	1,000 bbls/d	$55.00 Cdn	WTI
November 2020 (1)	Put Option	517 bbls/d	$55.00 Cdn	WTI

(1) The put option contracts for August, September, October and November 2020 were purchased at a price of $2.65 per barrel, $3.80 per barrel, $3.95 per barrel and $4.00 per barrel, respectively.

6) EXPLORATION AND EVALUATION ASSETS

Balance as at December 31, 2018	9,488
Additions	797
Transfer to oil and gas properties	(1,322)
Balance at December 31, 2019	8,963
Additions	109
Balance as at June 30, 2020	**9,072**

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

During the first six months of 2020, Delphi added $0.1 million of exploration and evaluation expenditures related to developing the Montney formation at Bigstone.

The Company performed an assessment of possible indicators of impairment on exploration and evaluation assets. At June 30, 2020 and December 31, 2019, the Company determined that no indicators of impairment existed on its E&E assets; therefore, an impairment test was not performed.

At March 31, 2020 impairment indicators were identified for exploration and evaluation assets, primarily as a result of the continued decrease in current and forward commodity pricing, as well as the financial condition of the Company and the resulting impact on the capital program. No impairment was recognized on exploration and evaluation assets as the recoverable amount of the assets exceeded their carrying value. The estimated recoverable amount was based on fair value less costs of disposal determined primarily on other comparable market transactions.

7) PROPERTY, PLANT AND EQUIPMENT

Cost	Crude oil and natural gas properties	Production equipment	Other assets	Total
Balance as at December 31, 2018	638,293	62,192	1,461	701,946
Additions	26,103	2,419	60	28,582
Decommissioning obligations	(2,712)	(940)	-	(3,652)
Right of Use Assets	-	2,949	662	3,611
Disposals and derecognition	-	(1,760)	-	(1,760)
Transfers from exploration and evaluation assets	1,322	-	-	1,322
Balance at December 31, 2019	**663,006**	**64,860**	**2,183**	**730,049**
Additions	21,693	510	16	22,219
Decommissioning obligations	1,653	996	-	2,649
Right of Use Assets	-	46	-	46
Balance as at June 30, 2020	**686,352**	**66,412**	**2,199**	**754,963**

Accumulated depletion and depreciation	Crude oil and natural gas properties	Production equipment	Other assets	Total
Balance as at December 31, 2018	(331,965)	(22,925)	(1,021)	(355,911)
Depletion and depreciation	(38,939)	(1,460)	(236)	(40,635)
Impairment loss	(54,363)	(7,374)	-	(61,737)
Disposals	-	353	-	353
Balance as at December 31, 2019	**(425,267)**	**(31,406)**	**(1,257)**	**(457,930)**
Depletion and depreciation	(14,308)	(274)	(107)	(14,689)
Impairment loss	(101,723)	(12,890)	(244)	(114,857)
Balance as at June 30, 2020	**(541,298)**	**(44,570)**	**(1,608)**	**(587,476)**
Net book value as at December 31, 2019	237,739	33,454	926	272,119
Net book value as at June 30, 2020	**145,054**	**21,842**	**591**	**167,487**

Delphi has included $457.0 million (June 30, 2019: $482.0 million) of future development costs and excluded $1.0 million (June 30, 2019: $1.0 million) for estimated salvage to its costs subject to depletion and depreciation.

For the six months ended June 30, 2020, Delphi capitalized $0.4 million (December 31, 2019: $1.9 million) of general and administrative expenses and three thousand dollars (December 31, 2019: $0.2 million) of share-based compensation expense directly related to exploration and development activities.

Impairment

The Company performed an assessment of possible indicators of impairment on its CGUs. At June 30, 2020 and December 31, 2019, the Company determined that no indicators of impairment existed on its CGUs; therefore, an impairment test was not performed.

At March 31, 2020, the Company identified indicators of impairment on its Bigstone CGU due to the outbreak of the COVID-19 pandemic coupled with the Saudi Arabia - Russia oil price war resulting in both a decrease in oil demand and a significant drop in the forward commodity price curves.

The Company performed an impairment test on its Bigstone CGU, based on the recoverable amount estimated using a value in use calculation derived from expected future cash flows generated from proved and probable reserves using a blended pre-tax discount rate of approximately 15 percent plus an estimate of the fair value of the undeveloped land associated with the Bigstone CGU that is not considered exploration and evaluation. The difference between the carrying amount and the estimated recoverable amount resulted in the recognition of a $114.8 million impairment. In addition, an impairment related to a change in estimates of decommissioning obligations for non-producing properties of $0.1 million was also recognized.

The following independent reserves evaluators’ price estimates were used in the determination of future cash flows for the impairment test as at March 31, 2020:

	Natural Gas		Oil				
Year	AECO/NIT Spot $CDN/MMBtu	NYMEX Henry Hub $US/MMBtu	Edmonton Light $CDN/bbl	NYMEX WTI $US/bbl	Pentanes Plus Edmonton $CDN/bbl	Inflation %	Exchange Rate $US/$CDN
2020 Q2-Q4	1.72	2.05	31.22	30.00	37.47	0.0	0.720
2021	2.02	2.55	47.95	41.00	52.05	0.0	0.730
2022	2.12	2.65	56.46	47.50	61.56	1.0	0.735
2023	2.22	2.75	64.19	52.50	68.92	2.0	0.740
2024	2.31	2.85	71.81	57.50	75.84	2.0	0.745
2025	2.41	2.95	73.27	58.95	77.27	2.0	0.750
2026	2.46	3.01	74.84	60.13	78.84	2.0	0.750
2027	2.52	3.07	76.44	61.33	80.44	2.0	0.750
2028	2.57	3.13	78.08	62.56	82.08	2.0	0.750
2029	2.62	3.19	79.75	63.81	83.75	2.0	0.750
2030+	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	2.0	0.750

The recoverable amount is highly sensitive to the discount rate and forecast future commodity prices. Holding all other variables constant, if the discount rate applied to the Bigstone CGU increased to 16 percent, the impairment would have increased by $11.3 million.

8) DECOMMISSIONING OBLIGATIONS

The Company's decommissioning obligations result from working interests in crude oil and natural gas assets including well sites, gathering systems and processing facilities. The total decommissioning obligation is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future years. The Company estimates the undiscounted total future liability of $27.1 million (December 31, 2019 - $26.9 million) to be settled over the next 41 years. A risk-free rate of 0.99 percent (December 31, 2019 – 1.76 percent) and an inflation rate of 0.99 percent (December 31, 2019 – 1.34 percent) were used to calculate the estimated fair value of the decommissioning obligations. During the six months ended June 30, 2020, long-term risk-free nominal rates in Canada declined below target inflation rates, implying a negative real rate of return. The Company determined that applying these rates to current cost estimates would not provide an accurate measurement of the decommissioning provision as observable stand-alone risk-free real rates of return continue to be positive.

	June 30, 2020	December 31, 2019
Balance, beginning of period	**25,254**	28,507
Liabilities incurred	**124**	151
Liabilities settled	**(534)**	(155)
Accretion expense	**179**	555
Change in future estimated cash outlays	**2,525**	(3,804)
Balance, end of period	**27,548**	25,254
Current portion	**1,017**	1,704
Long term portion	**26,531**	23,550

9) INTERIM FINANCING

	Interim Financing
Balance as at December 31, 2019	-
Interim loan facility	10,800
Transaction costs	(473)
Amortization of transaction costs	159
Interim loan facility (Note 2(d))	10,486
Loan under Interim letter of credit facility	185
Balance as at June 30, 2020	**10,671**

During the CCAA proceedings, the Company obtained Interim Financing from ATB Financial and Luminus Energy. The Interim Financing is composed of a $6.25 million Interim Letter of Credit Facility provided by ATB Financial and a $13.5 million Interim Loan Facility provided by Luminus Energy. ATB Financial and Luminus Energy have been granted third and fourth ranking super-priority charges, respectively, over the Company's and its subsidiaries' assets and property in connection with such facilities.

The Interim Letter of Credit Facility is not to exceed $6.25 million and bears fees of 6.75 percent payable quarterly in advance. The Company has approximately $5.9 million outstanding on the Interim Letter of Credit Facility.

The Company's Interim Loan Facility is not to exceed $13.5 million and is available until the earlier of i) October 30, 2020; ii) the implementation of a CCAA plan; iii) the expiry of the CCAA stay; and iv) the termination of the CCAA proceedings, together (the "Termination Date"). The Company paid an administrative charge on the Interim Loan Facility in an amount of 3.5 percent of the maximum amount available under the facility. The Interim Loan Facility bears an interest rate of 4.5 percent per annum with all accrued interest being due and payable in cash on the Termination Date. The Interim Loan Facility is not available on a revolving term basis. As at June 30, 2020, the Company had $10.8 million drawn on the Interim Loan Facility. Subsequent to June 30, 2020, the Company withdrew the remaining $2.7 million credit available under the Interim Loan Facility. The Interim Loan Facility and the accrued and unpaid interest is anticipated to be compromised in its entirety as part of the Plan in exchange for approximately 14.7% of the issued and outstanding New Shares of Delphi.

Proceeds of advances under the Interim Loan Facility may be used to provide for general corporate and working capital purposes, including funding of the CCAA proceedings, in accordance with the terms of the Interim Loan Facility.

In addition to customary affirmative covenant obligations, the Interim Loan Facility provides for certain information delivery requirements including a bi-weekly variance analysis of actual receipts and disbursements against the budget most recently approved by the Interim Loan Facility lenders. Additionally, the Interim Loan Facility requires that there will be no net negative variance in the Company's actual expenditures from that set out in the most recently approved budget, in excess of 25% on a cumulative basis.

10) SENIOR CREDIT FACILITY

	June 30, 2020	December 31, 2019
Senior Credit Facility		
Bankers' acceptances, net of discount	**-**	46,363
First lien claim	**13,006**	-
Balance as at June 30, 2020	**13,006**	46,363

At the end of March, with the rapid decline in crude oil prices, the Company was facing a breach of its Total Debt to EBITDA ratio under its credit agreement with the senior secured lenders for the quarter ended March 31, 2020. While in negotiations with the senior secured lenders, the credit facility was amended to revise the date by which the Company must comply with its financial covenants from March 31, 2020 to April 14, 2020. As the Company was unable to negotiate a waiver or amendment of the financial covenant with its senior secured lenders, the Company determined it would be in the best interest of its stakeholders to commence a court-supervised restructuring proceeding and on April 14, 2020 obtained an order from the Court under CCAA (see Note 2). The stay of proceedings has been extended by the Court to October 9, 2020.

The commencement of the CCAA proceedings is an event of default under the senior credit facility resulting in the automatic termination of the borrowing base and acceleration of the amounts outstanding under the senior credit facility.

On May 8, 2020, Luminus Energy, an affiliate of a pooled investment vehicle of Luminus Management LLC ("Luminus"), purchased an assignment of all of the rights of Delphi's first lien senior secured lenders under Delphi's credit facilities in the amount of $13.0 million. Luminus is a related party of Delphi which, through one or more of its pooled investment vehicles or affiliates thereof, holds 14,065,138 common shares, representing approximately 57% of Delphi's outstanding common shares, and approximately $58.7 million principal amount of Delphi's senior secured notes, representing approximately 49% of the outstanding senior secured notes.

The senior credit facility and the accrued and unpaid interest is anticipated to be compromised in its entirety as part of the Plan in exchange for approximately 14.2% of the issued and outstanding New Shares of Delphi.

11) SENIOR SECURED NOTES

	Senior secured notes
Balance as at December 31, 2019	103,510
Issued	5,501
Transaction costs	(87)
Accretion of discount and amortization of issue costs	754
Acceleration of accretion and amortization of issue costs	8,414
Balance as at June 30, 2020	**118,092**

At June 30, 2020 Delphi had outstanding $119.6 million principal amount of ten percent senior secured notes which mature on April 15, 2023. Interest is payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year.

The senior secured notes are carried at amortized cost, net of transaction costs and are accreted to their principal balance at maturity using the effective interest rate method.

In connection with the Recapitalization Transaction, Delphi issued 7,332 senior secured notes through a private placement in February 2020. The senior secured notes were issued under the same indenture as the existing Notes and collectively are treated as a single class of debt securities with identical terms.

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 and the Interim Financing, which was granted a super priority charge on the Company's assets.

The Company did not make the interest payment due on April 15, 2020 as required under the senior secured notes indenture which is an event of default. Additionally, with the commencement of the CCAA proceedings on April 14, 2020, the full balance of the senior secured notes is considered due and payable at that date and, as such, is classified as a current liability. Any efforts to enforce such payment obligations are stayed pursuant to the Initial Order. As such, the Company has accelerated the accretion of senior secured notes to its face value of $119.6 million. In addition, the Company has accelerated the amortization of transaction costs related to the issue of senior secured notes over the estimated remaining contractual term which is anticipated to be September 2020 assuming implementation of the Plan. The acceleration of accretion and amortization of transaction costs is included in finance costs on the condensed consolidated statements of loss.

As a result of the commencement of CCAA proceedings on April 14, 2020, a return event related to the Recapitalization Transaction has occurred in respect of Delphi's previously issued ESRs and NSRs. In accordance with their terms, all outstanding ESRs and NSRs were cancelled and the escrowed proceeds in respect of the ESRs and NSRs (in the aggregate amount of $15.5 million), together with all interest accrued thereon and escrowed note fee payments previously paid by Delphi in respect of the NSRs, have been returned to their holders.

The senior secured notes and the accrued and unpaid interest is anticipated to be compromised in its entirety as part of the Plan in exchange for approximately 36.5% of the issued and outstanding New Shares of Delphi.

12) CAPITAL SURCHARGE

	Capital surcharge
Balance as at December 31, 2019	-
Fair value of payments	1,754
Deferred finance charges	(543)
Balance as at June 30, 2020	**1,211**
Current portion	**138**
Long term portion	**1,073**

The Company received funds to build certain infrastructure in order to connect to a third party pipeline to transport field condensate from the Company's main battery. The funds received plus a certain after-tax rate of return ("Capital Surcharge") are to be repaid. On a monthly basis, the Company will pay a toll based on the volumes that are transported via the third party pipeline, drawing down the amount outstanding on the Capital Surcharge. The Company can repay the remaining outstanding Capital Surcharge in full at any time as long as it is repaid within five years. The Company has used a discount rate of 11.25 percent to fair value the estimated cash outflows associated with the Capital Surcharge. The Capital Surcharge is presented net of deferred finance charges. The Capital surcharge has an effective interest rate of 28 percent. The Company has assumed that it will pay the Capital Surcharge over five years.

13) 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

	June 30, 2020		December 31, 2019	
	Outstanding shares (000's)	**Amount**	Outstanding shares (000's)	Amount
Balance, beginning of year	18,429	353,842	185,547	347,011
Consolidation (15:1)	-	-	(173,178)	-
Private placement	6,060	10,000	6,060	10,000
Share issue costs	-	(159)	-	(3,169)
Balance, end of year	24,489	363,683	18,429	353,842

In connection with the Recapitalization Transaction, the Company issued 6.1 million common shares at a price of $1.65 per common share. Delphi has allocated $0.2 million of the Recapitalization Transaction costs to the issue of common shares.

(b) Warrants and Options

As at June 30, 2020, 88.2 million warrants were outstanding. Each warrant entitles the holder to purchase one common share of the Company at any time until April 15, 2023 for one fifteenth of a post-consolidation Common Share at an aggregate exercise price of $2.23 per whole post consolidation share. As at June 30, 2020, 4.6 million stock options were outstanding with a weighted exercise price of $1.09 per option. Each stock option entitles the holder to purchase one fifteenth of a post-consolidation Common Share.

(c) Net loss per share

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

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	**2020**	2019
Weighted average common shares – basic and diluted	**24,489**	12,370	**22,593**	12,370
Net loss per basic and diluted share	**(0.91)**	(4.35)	**(5.85)**	(5.85)

For the six months ended June 30, 2020, a total of 4.6 million stock options (June 30, 2019: 8.1 million) and 88.2 million warrants (June 30, 2019: 14.7 million) were excluded from the calculation as they were anti-dilutive.

14) REVENUE

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

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	**2020**	2019
Natural gas	**4,045**	6,528	**9,136**	16,580
Field condensate	**4,223**	17,949	**12,003**	30,092
Natural gas liquids	**1,048**	2,434	**2,444**	6,510
Sulphur	**-**	115	**(8)**	197
Total crude oil and natural gas sales	**9,316**	27,026	**23,575**	53,379

15) RESTRUCTURING COSTS

In the first six months of 2020, the Company has incurred $3.3 million in connection with the CCAA proceedings. Restructuring costs are comprised of legal fees, Monitor fees, financial advisory fees, investor relations and consultant fees.

16) FINANCE COSTS

Finance costs is comprised of the following:

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	**2020**	2019
Interest on interim financing	**190**	-	**190**	-
Interest on senior credit facility	**505**	1,246	**1,169**	2,276
Effective interest on senior secured notes	**11,527**	3,093	**15,328**	6,151
Effective interest on lease obligations	**25**	80	**57**	153
Accretion on decommissioning obligations	**67**	144	**179**	288
Effective interest on unutilized take-or-pay commitment	**2**	6	**8**	12
Foreign exchange (gain) loss	**14**	(1)	**(116)**	159
Total finance costs	**12,330**	4,568	**16,815**	9,039

17) SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	**2020**	2019
Source (use) of cash				
Accounts receivable	**(111)**	8,459	**3,745**	16,125
Prepaid expenses and deposits	**(356)**	(1,268)	**(1,372)**	(2,432)
Accounts payable and accrued liabilities	**5,439**	(20,952)	**27,354**	(28,965)
Total change in non-cash working capital	**4,972**	(13,761)	**29,727**	(15,272)
Relating to:				
Operating activities	**7,904**	2,814	**11,488**	(315)
Investing activities	**(2,932)**	(16,575)	**18,239**	(14,957)
	4,972	(13,761)	**29,727**	(15,272)

DIRECTORS

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

Eric Gallie [2]
Senior Analyst (E&P)
Luminus Management

Timothy Schneider [1][2]
Head of E&P
Luminus Management

Shawn Singh [2]
General Counsel and Chief Compliance Officer
Luminus Management

[1] Chair of the Board
[2] Member of the Audit Committee

AUDITORS

KPMG LLP

LEGAL COUNSEL

Osler, Hoskin & Harcourt LLP

OFFICERS

David J. Reid
President and Chief Executive Officer

Michael K. Galvin
Vice President Land

Morteza Nobakht
Vice President Development

Karyssa Quansah
Vice President Finance

CORPORATE OFFICE

2300, 333 – 7th Avenue S.W.
Calgary, Alberta T2P 2Z1
Telephone: (403) 265-6171
Facsimile: (403) 265-6207
Email: info@delphienergy.ca
Website: www.delphienergy.ca

INDEPENDENT ENGINEERS

GLJ Petroleum Consultants Ltd.

TRANSFER AGENT

Computershare Trust Company of Canada

ABBREVIATIONS

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