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 nine months ended September 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 nine months ended September 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 November 24, 2020.

THIRD QUARTER 2020 HIGHLIGHTS

- Produced an average of 6,635 barrels of oil per day ("boe/d"), compared to 6,623 boe/d produced in the second quarter of 2020 and down 21 percent from the 8,836 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 was brought on September 3, 2020;

- Production from the three new wells brought on in 2020 continue to outperform the type curve, supporting current production levels of approximately 6,775 boe/d weighted 43 percent condensate and natural gas liquids and 57 percent natural gas;

- Voluntarily shut-in approximately 1,385 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 138 barrels per cubic feet ("bbls/mmcf"), down from the 150 bbls/mmcf in the second quarter of 2020 and up from the 117 bbls/mmcf in the comparative quarter of 2019. Condensate and pentanes were approximately 109 barrels ("bbls") of the 138 bbls/mmcf or 79 percent of the liquids yield compared to 120 bbls of the 150 bbl/mmcf or 80 percent of the liquids yield in the second quarter of 2020;

- Crude oil and natural gas revenue was $15.8 million, an increase of 69 percent from the second quarter of 2020 and a decrease of 24 per cent from the third quarter of 2019. Revenues have increased from the second quarter due to significantly higher realized prices;

- Reduced operating costs significantly by 31 percent to $6.55 per barrel of oil equivalent ("boe") in comparison to $9.48 per boe in the third 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;

- Reduced transportation costs by 14 percent to $3.52 per barrel of oil equivalent ("boe") in comparison to $4.09 per boe in the third quarter of 2019. Late in the second quarter, Delphi commenced shipping field condensate from its 7-11 battery in East Bigstone via pipeline which will reduce costs for field condensate transportation, additional trucking charges associated with spring time road bans, as well as road maintenance costs.

- Adjusted funds flow in the third quarter decreased from the comparative adjusted funds flow of $21.3 million to a deficiency of $1.4 million. Adjusted funds flow in the nine months ended September 30, 2020 decreased 75 percent to $11.5 million compared to $45.6 million in the comparable period of 2019. The decrease in both periods is primarily due to reduced crude oil and natural gas revenues, 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. The nine months ended September 30, 2020 included $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 contracts decreased to $11.56 per boe, down marginally from the $12.90 per boe in the third quarter of 2019. The decrease is primarily due to the loss on marketing and the deterioration of crude oil and associated natural gas liquids prices partially offset by realized savings on operating and transportation costs;

- Realized a cash netback deficiency of $2.26 per boe for the third quarter of 2020 which includes $5.57 per boe of restructuring costs. The cash netback in the comparative period included $14.96 per boe related to the Permanent Assignment Transaction. The cash netback for the nine months ended September 30, 2020 decreased 67 percent to $6.34 per boe from the comparative period of 2019 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 September 9, 2020, the implementation of the Restructuring Transaction and the Plan was approved by the required majorities of holders of the Company's senior secured notes due 2023 and General Unsecured Creditors (as such term is defined in the Plan). On September 11, 2020, the Company obtained an order of the Court sanctioning the Plan under the CCAA and the Plan was implemented on October 16, 2020;

- Emerged from CCAA with no indebtedness, $31.7 million of new capital and a $30 million senior secured credit facility available on a revolving basis until May 31, 2021. Net debt as at September 30, 2020 of $167.0 million adjusted for liabilities to be compromised is a working capital surplus of $19.1 million; and

- Upon the satisfaction of certain conditions of the Capital Investment Agreement, Kiwetinohk Resources Corp. ("KRC") may exercise New Warrants that are exercisable into such number of New Shares as will result in KRC holding 50%+1 of the issued and outstanding New Shares for payment of an aggregate exercise price equal to approximately $37.5 million plus estimated closing adjustments of $2.5 million.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended Sep. 30			Nine months ended Sep. 30		
	2020	2019	% Change	**2020**	2019	% Change
Financial						
($ thousands, except per share)						
Crude oil and natural gas revenues	**15,750**	20,612	(24)	**39,325**	73,991	(47)
Net income (loss)	**(9,212)**	10,628	(187)	**(141,346)**	(61,499)	130
Per share – basic and diluted	**(1.51)**	1.75	(187)	**(23.22)**	(10.10)	130
Cash flow from operating activities	**26**	17,289	(100)	**23,825**	41,288	(42)
Per share – basic and diluted(1)(2)	**-**	2.84	-	**3.91**	6.78	(42)
Adjusted funds flow(1)	**(1,381)**	21,291	(106)	**11,464**	45,605	(75)
Per share – basic and diluted(1)(2)	**(0.23)**	3.50	(106)	**1.88**	7.49	(75)
Net debt(1)	**166,951**	165,722	1	**166,951**	165,722	1
Adjusted net debt (surplus)(1)	**(19,142)**	165,722	(112)	**(19,142)**	165,722	(112)
Capital expenditures, net of dispositions	**158**	(91)	-	**22,482**	26,777	(16)
Weighted average shares (000s)						
Basic and diluted(2)	**6,088**	6,088	-	**6,088**	6,088	-
Operating						
(boe conversion – 6:1 basis)						
Production:						
Field condensate (bbls/d)	**2,153**	2,154	-	**2,046**	2,412	(15)
Natural gas liquids (bbls/d)	**849**	1,299	(35)	**882**	1,269	(30)
Natural gas (mcf/d)	**21,800**	29,600	(26)	**22,098**	30,502	(28)
Total (boe/d)	**6,635**	8,386	(21)	**6,611**	8,765	(25)
Average realized sales prices, before financial instruments						
Field condensate ($/bbl)	**46.14**	63.99	(28)	**37.71**	64.96	(42)
Natural gas liquids ($/bbl)	**21.29**	21.20	-	**17.00**	26.11	(35)
Natural gas ($/mcf)	**2.47**	1.97	25	**2.33**	2.63	(11)
Netbacks ($/boe)						
Crude oil and natural gas revenues	**25.80**	26.72	(3)	**21.71**	30.92	(30)
Marketing income (loss)(1)	**(2.32)**	2.09	(211)	**(1.88)**	1.86	(201)
Realized gain (loss) on financial instruments	**(0.21)**	6.97	(103)	**12.16**	4.00	204
Revenue, after realized financial instruments	**23.27**	35.78	(35)	**31.99**	36.78	(13)
Royalties	**(1.85)**	(2.34)	(21)	**(1.56)**	(2.05)	(24)
Operating expense	**(6.55)**	(9.48)	(31)	**(8.08)**	(9.29)	(13)
Transportation expense	**(3.52)**	(4.09)	(14)	**(3.77)**	(4.27)	(12)
Operating netback (1)	**11.35**	19.87	(43)	**18.58**	21.17	(12)
Permanent Assignment Transaction	**-**	14.96	-	**-**	4.82	-
General and administrative expenses	**(2.17)**	(1.77)	23	**(2.51)**	(1.78)	41
Other income	**0.36**	-	-	**0.29**	-	-
Restructuring costs	**(5.57)**	-	-	**(3.68)**	-	-
Finance charges	**(6.23)**	(5.25)	19	**(6.22)**	(4.95)	26
Settlement of unutilized take-or-pay contract	**-**	(0.22)	-	**(0.12)**	(0.21)	(43)
Cash netback (deficiency)(1)	**(2.26)**	27.59	-	**6.34**	19.05	(67)

(1) Refer to non–GAAP measures

(2) In accordance with Earnings per Share ("IAS 33"), per share calculations presented should be based on the new number of outstanding common shares if the number of outstanding common shares changes as a result of a recapitalization. Accordingly, the weighted average common shares used for the periods presented have been adjusted to reflect the 6.1 million common shares outstanding as a result of the Company's restructuring.

FUTURE OPERATIONS AND RESTRUCTURING

Plan of Compromise and Arrangement

On April 14, 2020, the Company obtained an Initial Order from the Court under the CCAA. The commencement of the CCAA proceedings was an event of default under the senior credit facility and the senior secured notes and accordingly, such liabilities were classified as current.

The Initial Order in the CCAA proceedings granted the Company the authority to carry on business in a manner consistent with the preservation of its business and property. The Initial Order was 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. Since the Initial Order, the Company obtained multiple orders from the Court to extend the stay period, with the last order extending the stay period to October 30, 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).

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 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 KRC pursuant to which KRC 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.

On September 9, 2020, the implementation of the Restructuring Transaction and the Plan was approved by the required majorities of holders of the Company's senior secured notes due 2023 and General Unsecured Creditors (as such term is defined in the Plan). On September 11, 2020, the Company obtained an order of the Court sanctioning the Plan under the CCAA.

On October 16, 2020, the Company completed the restructuring and transactions contemplated under the Plan. Concurrently, with the implementation of the Plan, the Company obtained a $30 million senior secured credit facility which is available on a revolving basis until May 31, 2021.

Restructuring Transaction

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

- The Company's indebtedness was reduced by approximately $186.1 million;
- The Company's Interim Loan Facility, senior secured facility and senior secured notes have been settled in exchange for 14.8%, 14.2% and 36.4%, respectively, of the issued and outstanding voting common shares of a newly created class of shares of the Company (the "New Shares");
- Second lien beneficial noteholders holding $897,000 face value of senior secured notes received an aggregate of $224,250 of cash payments pursuant to valid Second Lien Opt-Out Elections (as such term is defined in the Plan);
- In exchange for the Plan Sponsor Funds, the Initial Plan Sponsors were issued 9.6% of the issued and outstanding New Shares;
- In exchange for the Capital Investment, the Company issued to KRC (i) 25% of the issued and outstanding New Shares (on a non-diluted basis), plus (ii) purchase warrants ("New Warrants") that are exercisable into such number of New Shares as will result in KRC holding 50%+1 of the issued and outstanding New Shares for payment of an

aggregate exercise price equal to approximately $37.5 million plus estimated closing adjustments of $2.5 million;

- General unsecured creditors with accepted claims less than or equal to $5,000 ("Convenience Class Creditors"), and other general unsecured creditors who validly made elections to be treated as Convenience Class Creditors, were paid in full up to $5,000;
- All other General Unsecured Creditors, including second lien beneficial noteholders in respect of a deficiency claim (as such terms defined in the Plan), became entitled to payment in respect of their accepted claims based on their pro rata share of a General Unsecured Creditor cash pool in the amount of $3 million, less amounts required to fund payments to Convenience Class Creditors;
- Delphi has granted 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") were cancelled and extinguished for no consideration and without any return of capital. Holders of Equity Claims were not 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 September 30, 2020, in connection with the CCAA proceedings, the Company identified the following obligations that are subject to potential compromise:

Interim financing	13,500
Interest on interim financing	164
Senior secured facility	13,006
Interest on senior secured facility	259
Senior secured notes	119,386
Interest on senior secured notes	8,557
Accounts payable	31,221
Total liabilities subject to potential compromise	**186,093**

The above amounts represent their amortized cost as at September 30, 2020 and have not been adjusted to fair value.

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	September 3, 2020
100/03-30-059-23W5	1.0	1.0	Q1 2020	Q1 2020	March 30, 2020

In the first nine months of 2020, the Company drilled, completed and equipped three (3.0 net) wells in 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 on-stream date was postponed given the low commodity price environment. In comparison, in the first nine 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 Sep. 30			Nine Months Ended Sep. 30		
	2020	2019	% Change	**2020**	2019	% Change
Drilling, completions and equipping	**(110)**	(4)	2,650	**20,477**	17,677	16
Facilities	**268**	(565)	-	**1,626**	7,407	(78)
Capitalized expenses	**-**	426	-	**314**	1,510	(79)
Other	**-**	52	-	**65**	183	(64)
Total capital	**158**	(91)	-	**22,482**	26,777	(16)

In the three months ended September 30, 2020, the Company spent $0.4 million to upgrade a meter station at its Bigstone sweet natural gas processing plant (“Bigstone Sweet Plant”). The upgrade to the meter station will allow the Company to connect to the Alliance pipeline system (Q1 2022) from its Bigstone Sweet Plant which is currently only connected to the NGTL system. The capital spent on the meter station upgrade was partially offset by reversal of estimates related to the 2020 drilling program.

During the first nine months of 2020, Delphi spent $20.5 million primarily on the drilling, completions and equipping operations on three (3.0 net) wells. The Company achieved record cost reductions in its drilling and completions program under the direction of Delphi’s new Vice President, Development. The Company changed its drilling and completions practice and made significant improvements in managing the capital program resulting in approximately 25 percent of savings per well in comparison to Delphi’s 2019 capital program. In addition, Delphi 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 transports 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.

As of September 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 Sep. 30			Nine Months Ended Sep. 30		
	2020	2019	% Change	**2020**	2019	% Change
Field condensate (bbls/d)	**2,153**	2,154	-	**2,046**	2,412	(15)
Ethane (bbls/d)	**(33)**	7	(571)	**5**	9	(44)
Propane (bbls/d)	**376**	489	(23)	**355**	525	(32)
Butane (bbls/d)	**282**	380	(26)	**302**	395	(24)
Pentanes & plant condensate (bbls/d)	**224**	423	(47)	**220**	340	(35)
Total field condensate and natural gas liquids	**3,002**	3,453	(13)	**2,928**	3,681	(20)
Natural gas (mcf/d)	**21,800**	29,600	(26)	**22,098**	30,502	(28)
Total (boe/d)	**6,635**	8,386	(21)	**6,611**	8,765	(25)

The Company brought on two (2.0 net) of its three well winter 2020 drilling program on March 30 and April 3, 2020. The third well (1.0 net) was brought on production at the beginning of September as the Company was managing production volumes during this low and volatile commodity price environment. Production from the Company’s 2020 drilling program is the only new production brought on since the second quarter of 2019 when the Company brought on its four-well (2.6 net) pad in West Bigstone.

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 production throughout the months of April and May. With the improvement in commodity prices, approximately seven of the shut-in wells have come on production throughout the third quarter of 2020 and 14 remain shut-in. The third well from the winter 2020 program was placed on production on September 3, 2020. The impact of shut-in production, excluding the third well from the winter 2020 program, was approximately 1,385 boe/d in the third quarter. Onstream dates for shut-in production is dependent on commodity prices. Production in the third quarter averaged 6,635 boe/d, compared to 6,623 boe/d produced in the second quarter of 2020 and down 21 percent from the comparative quarter in 2019. Ethane production for the third quarter of 2020 was 5 bbls/day offset by a prior period adjustment of 38 bbls/day.

Production from the Montney continues to deliver high liquids content. During the three months ended September 30, 2020, the liquids yield averaged 138 bbls/mmcf up from the 117 bbls/mmcf in the comparative quarter of 2019. For the third quarter of 2020, condensate and pentanes were approximately 109 bbls of the 138 bbls/mmcf or 79 percent of the liquids yield.

Production in the first nine months of 2020 averaged 6,611 boe/d, down 25 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 three new wells from the Company’s winter 2020 program were tied-in at the end of March, the beginning of April and the beginning of September, respectively, as well as the production shut-in throughout the third quarter in order to manage volumes through the low oil price environment.

The Company's production portfolio for the third quarter of 2020 was weighted 32 percent to field condensate, 13 percent to natural gas liquids and 55 percent to natural gas. The production portfolio for the comparative quarter in 2019 was weighted 26 percent to field condensate, 15 percent to natural gas liquids and 59 percent to natural gas.

BUSINESS ENVIRONMENT

Benchmark Prices and Economic Parameters

	Three Months Ended Sep. 30			Nine Months Ended Sep. 30		
	2020	2019	% Change	**2020**	2019	% Change
Natural Gas						
Chicago City Gate MI (US $/mmbtu)	**1.87**	2.03	(8)	**1.81**	2.60	(30)
Chicago City Gate DI (US $/mmbtu)	**1.84**	2.08	(12)	**1.74**	2.49	(30)
AECO 5A (CDN $/mcf)	**2.24**	0.91	146	**2.09**	1.51	38
AECO 7A (CDN $/mcf)	**2.14**	1.04	106	**2.06**	1.38	49
Crude Oil						
West Texas Intermediate (US $/bbl)	**40.94**	56.45	(27)	**38.30**	57.06	(33)
West Texas Intermediate (CDN$/bbl)	**54.52**	74.54	(27)	**51.51**	75.87	(32)
Edmonton condensate to WTI Differential (CDN $/bbl)	**(4.92)**	(6.19)	(21)	**(4.51)**	(5.78)	(22)
Foreign Exchange						
Canadian to U.S. dollar	**0.75**	0.76	(1)	**0.74**	0.75	(1)
U.S. to Canadian dollar	**1.33**	1.32	1	**1.35**	1.33	2

The lingering effects of the COVID-19 pandemic from the second quarter of 2020 have continued to broadly impact 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, commodity pricing has continued to improve compared to the second quarter but is significantly lower than the comparative quarter of 2019.

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. AECO natural gas prices have significantly strengthened during 2020 as compared to 2019, while other physical gas markets experienced considerable price declines in the first three quarters of 2020.

The Chicago City Gate benchmark natural gas prices for the three and nine months ended September 30, 2020 decreased eight and 30 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 demand for natural gas from the COVID-19 health pandemic and lower seasonal demand from moderate winter weather in US Midwest.

The average daily AECO benchmark natural gas price increased 146 percent and 38 percent in the three and nine months ended September 30, 2020 in comparison to the same periods in 2019. Declining supply, as producers shut-in production, along with the 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. Prices stabilized over the third quarter and averaged US$40.94 but were still significantly lower than the WTI benchmark for the three and nine months ended September 30, 2020 decreasing by 27 percent and 33 percent when compared to the same periods in 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 late 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 decreased one and two percent in the three and nine months ended September 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 Sep. 30			Nine Months Ended Sep. 30		
	2020	2019	% Change	**2020**	2019	% Change
Chicago						
Chicago City Gate MI (CDN$/mcf)	**2.48**	2.68	(7)	**2.45**	3.45	(29)
Heating content and marketing ($/mcf)	**(0.10)**	0.02	(600)	**(0.11)**	-	-
Realized price before risk management contracts ($/mcf)	**2.38**	2.70	(12)	**2.34**	3.45	(32)
AECO						
AECO 5A ($/mcf)	**2.24**	0.91	146	**2.09**	1.51	38
Heating content and marketing ($/mcf)	**0.21**	0.19	11	**0.17**	0.14	21
Realized price before risk management contracts ($/mcf)	**2.45**	1.10	123	**2.26**	1.65	37
Combined Natural Gas						
Realized natural gas price before risk management contracts ($/mcf)	**2.47**	1.97	25	**2.33**	2.63	(11)
Realized gain (loss) on financial contracts ($/mcf)	**-**	0.31	-	**0.09**	(0.08)	-
Realized natural gas price ($/mcf)	**2.47**	2.28	8	**2.42**	2.55	(5)
Marketing income (loss) ($/mcf) (1) (2)	**(0.71)**	0.59	(220)	**(0.56)**	0.53	(206)
Natural gas price including marketing income (loss) ($/mcf)	**1.76**	2.87	(39)	**1.86**	3.08	(40)
Field Condensate						
WTI (CDN$/bbl)	**54.52**	74.54	(27)	**51.51**	75.87	(32)
Edmonton condensate to WTI Differential ($/bbl)	**(4.92)**	(6.19)	(21)	**(4.51)**	(5.78)	(22)
Edmonton condensate	**49.60**	68.35	(27)	**47.00**	70.09	(33)
Differential and marketing ($/bbl)	**(3.46)**	(4.36)	(21)	**(9.29)**	(5.13)	81
Realized price before risk management contracts ($/bbl)	**46.14**	63.99	(28)	**37.71**	64.96	(42)
Realized gain (loss) on financial contracts ($/bbl)	**(0.66)**	17.68	(104)	**36.78**	12.59	192
Realized field condensate price ($/bbl)	**45.48**	81.67	(44)	**74.49**	77.55	(4)

	Three Months Ended Sep. 30			Nine Months Ended Sep. 30		
	2020	2019	% Change	**2020**	2019	% Change
Natural Gas Liquids						
Realized natural gas liquids price ($/bbl)	**21.29**	21.20	-	**17.00**	26.11	(35)
Realized gain on financial contracts ($/bbl)	**0.01**	8.71	(100)	**3.40**	5.65	(40)
Realized natural gas liquids price ($/bbl)	**21.30**	29.91	(29)	**20.40**	31.76	(36)
Total realized sales price ($/boe)	**25.59**	33.69	(24)	**33.87**	34.92	(3)

(1) Refer to non–GAAP measures.
(2) For purposes of this calculation, marketing income associated with the Permanent Assignment Transaction has been excluded from the calculation as it is a non-recurring transaction.

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 Plant which is currently only connected to the NGTL pipeline system. With the decline in production volumes, a larger proportion of the Company's natural gas is processed at the Bigstone Sweet Plant, increasing the volume of natural gas shipped on the NGTL system. In the first three and nine months of 2020, Delphi sold 48 percent and 50 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 nine months of 2019 at 56 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 months ended September 30, 2020, Delphi's realized natural gas price before risk management contracts increased 25 percent over the comparable period in 2019. The increase in the realized price in the third quarter is primarily due to the improvement in the AECO benchmark combined with a higher proportion of natural gas sold in the AECO market. For the nine months ended September 30, 2020, Delphi's realized natural gas price before risk management contracts decreased 11 percent over the comparable period in 2019. The decrease in the 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 28 percent and 42 percent lower in the three and nine months ended September 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 continue to be at a wider discount relative to WTI in Alberta in the third 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 in the third quarter of 2020 was comparable for the same period in 2019. Improvements in propane pricing were offset by declines in pricing received for butanes and pentanes which are generally priced off of WTI. Delphi's realized natural gas liquids price in the nine month period ended September 30, 2020 declined 35 percent in comparison to the same period in 2019. Average selling prices for natural gas liquids were impacted by continued oversupply and reduced demand. Commencing April 1, 2020, Delphi no longer has contractual NGL transportation commitments. Delphi's purchaser for natural gas liquids nets off the pipeline transportation 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.

As at November 24, 2020, the following commodity risk management contracts were outstanding:

Crude Oil Contracts

Time Period	Type of Contract	Quantity Contracted	Price ($/unit)	Reference
November 2020 (1)	Put option	517 bbls/d	$55.00 Cdn	WTI
December 2020 – March 2021	Fixed price swap	150 bbls/d	$54.40 Cdn	WTI
December 2020 – March 2021	Fixed price swap	150 bbls/d	$55.00 Cdn	WTI
April 2021 – December 2021	Fixed price swap	125 bbls/d	$56.20 Cdn	WTI
April 2021 – December 2021	Fixed price swap	125 bbls/d	$55.70 Cdn	WTI

(1) The put option contracts for November 2020 were purchased at a price of $4.00 per barrel.

Natural Gas Contracts

Time Period	Type of Contract	Quantity Contracted	Price ($/unit)	Reference
December 2020 – March 2021	Fixed price swap	2,700 gj/d	$2.78 Cdn	AECO
December 2020 – March 2021	Fixed price swap	2,700 gj/d	$2.51 Cdn	AECO
April 2021 – December 2021	Fixed price swap	1,575 gj/d	$2.43 Cdn	AECO
April 2021 – December 2021	Fixed price swap	1,575 gj/d	$2.27 Cdn	AECO
January 2022 – June 2022	Fixed price swap	750 gj/d	$2.49 Cdn	AECO
January 2022 – June 2022	Fixed price swap	750 gj/d	$2.37 Cdn	AECO
July 2022 – December 2022	Fixed price swap	675 gj/d	$2.25 Cdn	AECO
July 2022 – December 2022	Fixed price swap	675 gj/d	$2.24 Cdn	AECO
December 2020 – March 2021	Fixed price swap	2,550 mmbtu/d	$3.91 Cdn	NYMEX
December 2020 – March 2021	Fixed price swap	2,550 mmbtu/d	$3.56 Cdn	NYMEX
April 2021 – December 2021	Fixed price swap	1,475 mmbtu/d	$3.81 Cdn	NYMEX
April 2021 – December 2021	Fixed price swap	1,475 mmbtu/d	$3.59 Cdn	NYMEX
January 2022 – June 2022	Fixed price swap	700 mmbtu/d	$3.69 Cdn	NYMEX
January 2022 – June 2022	Fixed price swap	700 mmbtu/d	$3.59 Cdn	NYMEX
July 2022 – December 2022	Fixed price swap	650 mmbtu/d	$3.41 Cdn	NYMEX
July 2022 – December 2022	Fixed price swap	650 mmbtu/d	$3.44 Cdn	NYMEX

Basis Differential Contracts

Delphi ships approximately half of its natural gas production through the Alliance pipeline system into the Chicago market. As a result, the Company has entered into NYMEX to Chicago basis differential contracts in order to fix the basis on a portion of its natural gas sales in the Chicago market.

Time Period	Type of Contract	Quantity Contracted	Differential (U.S. $/unit))
December 2020 – March 2021	Fixed price swap	2,550 mmbtu/d	($0.115)
December 2020 – March 2021	Fixed price swap	2,550 mmbtu/d	($0.190)
April 2021 – December 2021	Fixed price swap	1,475 mmbtu/d	($0.240)
April 2021 – December 2021	Fixed price swap	1,475 mmbtu/d	($0.255)
January 2022 – June 2022	Fixed price swap	700 mmbtu/d	($0.100)
January 2022 – June 2022	Fixed price swap	700 mmbtu/d	($0.110)
July 2022 – December 2022	Fixed price swap	650 mmbtu/d	($0.225)
July 2022 – December 2022	Fixed price swap	650 mmbtu/d	($0.210)

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 loss.

For the three and nine months ended September 30, 2020, Delphi recorded a realized loss on its risk management contracts of $0.1 million and $22.0 million, respectively. 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. During the first quarter of 2020, Delphi unwound portions of some risk management contracts for proceeds of $1.3 million which were also used to reduce bank indebtedness.

For the three months ended September 30, 2020, Delphi recorded an unrealized gain on its risk management contracts of $0.1 million. The unrealized gain recognized for the three months ended September 30, 2020 is the difference between the fair values of the risk management contracts outstanding as at September 30, 2020 and the fair values as at June 30, 2020.

For the nine months ended September 30, 2020, Delphi recorded an unrealized loss on its risk management contracts of $6.2 million. The unrealized loss recognized for the nine months ended September 30, 2020 is the difference between the fair values of the risk management contracts outstanding as at September 30, 2020 and the fair values as at December 31, 2019.

REVENUES

CRUDE OIL AND NATURAL GAS REVENUES

	Three Months Ended Sep. 30			Nine Months Ended Sep. 30		
	2020	2019	% Change	**2020**	2019	% Change
Field condensate	**9,138**	12,681	(28)	**21,141**	42,773	(51)
Natural gas	**4,946**	5,360	(8)	**14,082**	21,940	(36)
Natural gas liquids	**1,664**	2,534	(34)	**4,108**	9,044	(55)
Sulphur	**2**	37	(95)	**(6)**	234	(103)
Total	**15,750**	20,612	(24)	**39,325**	73,991	(47)
Per boe	**25.80**	26.72	(3)	**21.71**	30.92	(30)

For the three and nine months ended September 30, 2020, Delphi generated $15.8 million and $39.3 million of revenues from the sale of its crude oil and natural gas, representing a 24 percent and 47 percent decrease over the comparative periods, respectively. Field condensate contributed 58 percent and 54 percent of total revenues in the three and nine months ended September 30, 2020, compared to 62 percent and 58 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 Sep. 30			Nine Months Ended Sep. 30		
	2020	2019	**(000's)**	2020	2019	**($000's)**
Crude oil and natural gas revenues, September 30, 2019			**20,612**			**73,991**
Revenue change due to:						
Field condensate						
Volume (bbl/d)	2,153	2,154	**(4)**	2,046	2,412	**(3,690)**
Realized price (1) ($/bbl)	46.14	63.99	**(3,536)**	37.71	64.96	**(17,941)**
Natural gas						
Volume (mcf/d)	21,800	29,600	**(1,769)**	22,098	30,502	**(5,284)**
Realized price (1) ($/mcf)	2.47	1.97	**1,354**	2.33	2.63	**(2,573)**
Natural gas liquids						
Volume (bbl/d)	849	1,299	**(881)**	882	1,269	**(1,783)**
Realized price (1) ($/bbl)	21.29	21.20	**9**	17.00	26.11	**(3,155)**
Sulphur	2	37	**(35)**	(6)	234	**(240)**
Crude oil and natural gas revenues, September 30, 2020			**15,750**			**39,325**

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

MARKETING

Marketing Revenue	Three Months Ended Sep. 30			Nine Months Ended Sep. 30		
	2020	2019	% Change	**2020**	2019	% Change
Sale of purchased natural gas	**3,185**	817	290	**7,008**	2,857	145
Premiums on the assignment of service	**-**	1,327	-	**-**	3,778	-
Permanent Assignment Transaction	**-**	11,900	-	**-**	11,900	-
Total	**3,185**	14,044	(77)	**7,008**	18,535	(62)

Marketing Expense	Three Months Ended Sep. 30			Nine Months Ended Sep.30		
	2020	2019	% Change	**2020**	2019	% Change
Cost of purchased natural gas	**3,201**	250	1,180	**6,860**	1,279	436
Transportation of purchased natural gas	**1,401**	282	397	**3,565**	912	291
Permanent Assignment Transaction	**-**	356	-	**-**	356	-
Total	**4,602**	888	418	**10,425**	2,547	309

Marketing Income (loss) (1)	Three Months Ended Sep. 30			Nine Months Ended Sep. 30		
	2020	2019	% Change	**2020**	2019	% Change
Gain (loss) on marketing of purchased natural gas	**(1,417)**	285	(597)	**(3,417)**	666	(613)
Premium on the assignment of service	**-**	1,327	-	**-**	3,778	-
Permanent Assignment Transaction	**-**	11,544	-	**-**	11,544	-
Total	**(1,417)**	13,156	(111)	**(3,417)**	15,988	(121)
Marketing income (loss) per boe	**(2.32)**	2.09	(211)	**(1.88)**	1.86	(201)
Permanent Assignment Transaction per boe	**-**	14.96	-	**-**	4.82	-

(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. 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. In November 2019, the Company permanently assigned 16 mmcf/d of service on the Alliance pipeline system for net proceeds of $11.5 million (the “Permanent Assignment Transaction”). The net proceeds from the transaction were used to reduce bank indebtedness.

In the three and nine months ended September 30, 2020, the Company realized a loss on its marketing activities associated with purchasing natural gas to fulfill its transmission commitment on the Alliance pipeline system as the Chicago benchmark decreased meanwhile the AECO benchmark increased, creating an unfavourable arbitrage for marketing activities. 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 nine months of 2020.

Subsequent to September 30, 2020, the Company temporarily assigned approximately 14.4 mmcf/d of excess Alliance service from November 1, 2020 to October 31, 2021 for approximately 50 percent of the associated tariff.

ROYALTIES

	Three Months Ended Sep. 30			Nine Months Ended Sep. 30		
	2020	2019	% Change	**2020**	2019	% Change
Crown royalties	**1,055**	1,217	(13)	**3,033**	4,248	(29)
Royalty credits	**(314)**	44	-	**(1,328)**	(1,636)	(19)
Crown royalties – net	**741**	1,261	(41)	**1,705**	2,612	(35)
Gross overriding royalties	**388**	548	(29)	**1,121**	2,290	(51)
Total	**1,129**	1,809	(38)	**2,826**	4,902	(42)
Per boe	**1.85**	2.34	(21)	**1.56**	2.05	(24)

	Three Months Ended Sep. 30			Nine Months Ended Sep. 30		
	2020	2019	% Change	**2020**	2019	% Change
Crown rate – before royalty credits	**6.7%**	5.9%	14	**7.7%**	5.7%	35
Crown rate – net of royalty credits	**4.7%**	6.1%	(23)	**4.3%**	3.5%	23
Gross overriding rate	**2.5%**	2.7%	(7)	**2.9%**	3.1%	(6)
Average rate	**7.2%**	8.8%	(18)	**7.2%**	6.6%	9

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

For the three and nine months ended September 30, 2020, royalties totaled $1.1 million and $2.8 million, compared to $1.8 million and $4.9 million for the same periods in 2019, respectively. Royalties in the three and nine 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 6.7 percent and 7.7 percent in the three and nine months ended September 30, 2020, in comparison to 5.9 percent and 5.7 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 the 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. In addition, the Company's average royalty rate for natural gas has increased due to improved AECO benchmark prices in combination with a higher proportion of natural gas sold on NGTL. Alberta natural gas royalties are based on Canadian benchmark prices regardless of the market it is sold in.

Crown royalty credits increased in the three months ended September 30, 2020 compared to the three months ended September 30, 2019. In the third quarter of 2019, the Crown adjusted the Crown royalty credits relating to prior periods, causing a charge in the period. Crown royalty credits are largely based on the amortization of historical capital and operating costs of gas facilities and do not fluctuate based on commodity prices but are limited to Crown royalties paid on natural gas and natural gas liquids and exclude royalties paid on field condensate.

Gross overriding royalties were 2.5 percent and 2.9 percent in the three and nine months ended September 30, 2020 in comparison to 2.7 percent and 3.1 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 partially. In addition, the Company shut-in production from wells that were encumbered with a gross overriding royalty during the second quarter of 2020. The decrease in the average gross overriding royalty rate was partially offset by an increase in AECO benchmark in combination with a higher proportion of natural gas sold on NGTL. The Company disclaimed one gross overriding royalty contract during the CCAA period.

OPERATING EXPENSES

	Three Months Ended Sep. 30			Nine Months Ended Sep. 30		
	2020	2019	% Change	**2020**	2019	% Change
Production costs	**4,142**	7,769	(47)	**15,315**	23,501	(35)
Processing recoveries	**(143)**	(456)	(69)	**(670)**	(1,282)	(48)
Total	**3,999**	7,313	(45)	**14,645**	22,219	(34)
Per boe	**6.55**	9.48	(31)	**8.08**	9.29	(13)

Due to the steep decline in crude oil prices starting in the second quarter of 2020 and continuing into the third quarter, the Company shut-in production 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 a third party 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 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 Sep. 30			Nine Months Ended Sep. 30		
	2020	2019	% Change	**2020**	2019	% Change
Transportation (1)	**2,148**	3,156	(32)	**6,830**	10,226	(33)
Transportation per boe	**3.52**	4.09	(14)	**3.77**	4.27	(12)

(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. During the third quarter of 2020, the Company commenced shipping field condensate from West Bigstone via a third party pipeline, further eliminating the need to transport its field condensate through the use of trucks.

Transportation expenses in the three and nine months ended September 30, 2020 decreased 32 percent and 33 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 the third quarter of 2019. Transportation for field condensate decreased as a result of shipping the majority of the field condensate produced via the new third party 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 Sep. 30			Nine Months Ended Sep. 30		
	2020	2019	% Change	**2020**	2019	% Change
Gross expenses	**1,326**	1,788	(26)	**4,959**	5,766	(14)
Capitalized	**-**	(426)	-	**(423)**	(1,510)	(72)
General and administrative expenses	**1,326**	1,362	(3)	**4,536**	4,256	7
Per boe	**2.17**	1.77	23	**2.51**	1.78	41

General and administrative expenses ("G&A") before capitalization for the three and nine months ended September 30, 2020 were $1.3 million and $5.0 million compared to $1.8 million and $5.8 million in the comparative periods in 2019. G&A expenses before capitalization in the third quarter of 2020 are 26 percent lower than the same period in 2019 primarily related to a decrease in personnel costs as the Company reduced personnel and consultant costs in conjunction with the CCAA proceedings. G&A expenses before capitalization decreased fourteen percent in the first nine months of 2020 compared to the same period in 2019. The decrease is due to lower personnel and consultant costs as a result of the CCAA proceedings partially offset by $0.5 million of bad debt expense related to partner disputed capital expenditures and $0.2 million of higher insurance premiums associated with directors and officers policy period extensions during the CCAA proceedings. Capitalized expenses decreased as the Company has significantly reduced its capital program.

RESTRUCTURING COSTS

	Three Months Ended Sep. 30			Nine Months Ended Sep. 30		
	2020	2019	% Change	**2020**	2019	% Change
Restructuring costs	**3,399**	-	-	**6,673**	-	-
Per boe	**5.57**	-	-	**3.68**	-	-

A total of $3.4 million and $6.7 million of restructuring costs related to the CCAA proceedings were incurred in the three and nine months ended September 30, 2020. Restructuring costs include legal, Monitor, consultants, financial advisory and investor relations services.

Due to the implementation of the Plan, the Company will incur $0.3 million of termination benefits in the fourth quarter of 2020. In addition, the Company may be subject to further termination benefits in the amount of $0.8 million if KRC exercises the New Warrants, resulting in KRC holding 50%+1 of the issued and outstanding New Shares. As these additional termination benefits are dependent on an event that is outside of Delphi's control, the Company has not recorded a provision at September 30, 2020.

SHARE-BASED COMPENSATION

	Three Months Ended Sep. 30			Nine Months Ended Sep. 30		
	2020	2019	% Change	**2020**	2019	% Change
Share-based compensation	**25**	(8)	-	**2**	434	(100)
Capitalized costs	**1**	(57)	-	**(2)**	(212)	(99)
Net	**26**	(65)	-	**-**	222	-
Per boe	**0.04**	(0.08)	-	**-**	0.09	-

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 nine 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. In connection with the Plan, all of the Company's outstanding stock options were cancelled and extinguished on October 16, 2020.

FINANCE COSTS

	Three Months Ended Sep. 30			Nine Months Ended Sep. 30		
	2020			**2020**	2019	% Change
Interest	**3,786**	3,986	(5)	**11,305**	11,470	(1)
Finance charges in relation to lease obligations	**23**	71	(68)	**80**	224	(64)
Accretion of decommissioning liabilities	**79**	153	(48)	**258**	441	(41)
Finance charges	**1,347**	488	176	**10,523**	1,444	629
Foreign exchange (gain) loss	**(7)**	(8)	(13)	**(123)**	150	(182)
Total finance costs	**5,228**	4,690	11	**22,043**	13,729	61
Per boe	**8.57**	6.08	41	**12.17**	5.74	112

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 were 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 bore an annual coupon of 4.5 percent and required an upfront payment of $0.5 million. Interest on the senior secured notes continued to accrue at a rate of ten percent. Interest in the three and nine months of 2020 decreased five percent and one percent, respectively, 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 49 years. The decrease in accretion expense in the three and nine months ended September 30, 2020 compared to the same period in 2019 is a result of a change in estimate related to the interest rates 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 nine months ended September 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 $119.7 million. In addition, the Company has accelerated the amortization of transaction costs related to the issue of senior secured notes over the remaining contractual term to October 16, 2020, the date the senior secured notes were compromised. In the quarter, the Company recognized $1.3 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 Sep. 30			Nine Months Ended Sep. 30		
	2020	2019	% Change	**2020**	2019	% Change
Depletion and depreciation	**6,493**	10,357	(37)	**21,182**	32,542	(35)
Impairment	**-**	-	-	**114,857**	61,737	86
Depletion, depreciation per boe	**10.64**	13.42	(21)	**11.69**	13.60	(14)
Impairment per boe	**-**	-	-	**63.41**	25.80	146

Depletion and depreciation in the three and nine months ended September 30, 2020 decreased in comparison to the same periods in 2019 primarily related to decreases in production of 21 percent and 25 percent, respectively. The depletion rate decreased by 21 percent and 14 percent, respectively, in the three months and nine months ended September 30, 2020, over the comparative periods 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, 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 September 30, 2020. Therefore, no deferred income tax recovery was recorded against the loss for the three and nine months ended September 30, 2020.

Delphi does not have current income taxes payable and has estimated tax pools available at September 30, 2020 of $435.1 million (December 31, 2019 – $422.8 million). The Company expects to have sufficient tax pools to shelter the debt forgiveness associated with the $186.1 million of compromised liabilities.

ADJUSTED FUNDS FLOW

	Three Months Ended Sep. 30			Nine Months Ended Sep. 30		
	2020	2019	% Change	**2020**	2019	% Change
Cash flow from operating activities	**26**	17,289	(100)	**23,825**	41,288	(42)
Decommissioning expenditures	**75**	-	-	**609**	-	-
Change in non-cash working capital	**(1,482)**	4,002	(137)	**(12,970)**	4,317	(400)
Adjusted funds flow[(1)]	**(1,381)**	21,291	(106)	**11,464**	45,605	(75)

(1) Refer to non–GAAP measures

Delphi's cash flow from operating activities decreased from $17.3 million in the three months ended percent September 30, 2019 to $26 thousand in the three months ended September 30, 2020. Delphi's adjusted funds flow was negative in the three months ended September 30, 2020, down from the $21.3 million in the three months ended September 30, 2019.

Delphi's cash flow from operating activities in the first nine months of 2020 decreased to $23.8 million, down 42 percent from the $41.3 million of cash flow from operating activities in the first nine months of 2019. Adjusted funds flow in the first nine months of 2020 decreased significantly to $11.5 million, in comparison to the first three quarters of 2019 adjusted funds flow of $45.6 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.

	Three Months Ended Sep. 30	Nine Months Ended Sep. 30
Adjusted Funds Flow [1], Sep. 30, 2019	**21,291**	**45,605**
Impact on adjusted funds flow:		
Production volumes	**(2,688)**	**(10,996)**
Realized prices	**(2,173)**	**(23,669)**
Other income	**218**	**528**
Risk management activities	**(5,510)**	**12,448**
Marketing activities	**(14,573)**	**(19,405)**
Netback expenses [2]	**5,038**	**12,766**
Restructuring costs	**(3,399)**	**(6,673)**
Finance charges	**246**	**581**
Settlement of unutilized take-or-pay contract	**169**	**279**
Adjusted Funds Flow [1], Sep. 30, 2020	**(1,381)**	**11,464**

(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 Sep. 30			Nine Months Ended Sep.30		
	2020	2019	% Change	**2020**	2019	% Change
Net earnings (loss)	**(9,212)**	10,628	(187)	**(141,346)**	(61,499)	130
Per boe	**(15.09)**	13.77	(210)	**(78.03)**	(25.70)	204
Per basic and diluted share [1]	**(1.51)**	1.75	(187)	**(23.22)**	(10.10)	130

(1) In accordance with IAS 33, per share calculations are based on the new number of outstanding shares if the number of outstanding shares changes as a result of a recapitalization.

Delphi recorded a net loss of $9.2 million ($1.51 per basic and diluted share) and $141.3 million in the first three and nine months of 2020, down from net income of $10.6 million ($1.75 per basic and diluted share) and further decreased from a $61.5 million loss recorded in the comparative periods of 2019. The net loss in the third quarter of 2020 over the net income in the comparative period is primarily due to lower realized gains on risk management contracts, lower crude oil and natural gas revenues, marketing loss and restructuring costs. The increase in the net loss in the first nine months of 2020 is due to significantly lower revenues in the second quarter, restructuring costs, marketing loss and an impairment charge recorded in the first quarter of 2020.

	Three Months Ended Sep. 30			Nine Months Ended Sep. 30		
Barrels of oil equivalent ($/boe)	**2020**	2019	% Change	**2020**	2019	% Change
Realized sales price	**25.80**	26.72	(3)	**21.71**	30.92	(30)
Marketing income (loss) (1)	**(2.32)**	2.09	(211)	**(1.88)**	1.86	(201)
Royalties	**(1.85)**	(2.34)	(21)	**(1.56)**	(2.05)	(24)
Operating expenses	**(6.55)**	(9.48)	(31)	**(8.08)**	(9.29)	(13)
Transportation	**(3.52)**	(4.09)	(14)	**(3.77)**	(4.27)	(12)
Operating netback before risk management contracts (1)	**11.56**	12.90	(10)	**6.42**	17.17	(63)
Realized gain (loss) on risk management contracts	**(0.21)**	6.97	(103)	**12.16**	4.00	204
Operating netback (1)	**11.35**	19.87	(43)	**18.58**	21.17	(12)
Permanent Assignment Transaction	**-**	14.96	-	**-**	4.82	-
General and administrative expenses	**(2.17)**	(1.77)	23	**(2.51)**	(1.78)	41
Other income	**0.36**	-	-	**0.29**	-	-
Restructuring costs	**(5.57)**	-	-	**(3.68)**	-	-
Finance charges	**(6.23)**	(5.25)	19	**(6.22)**	(4.95)	26
Settlement of unutilized take-or-pay contract	**-**	(0.22)	-	**(0.12)**	(0.21)	(43)
Cash netback (1)	**(2.26)**	27.59	(108)	**6.34**	19.05	(67)

(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 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 Restructuring Transaction"). 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).

In July, 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. On September 11, 2020, the Plan was sanctioned by the Court and the Company completed its Restructuring Transaction on October 16, 2020. All existing common shares, warrants and options of Delphi outstanding prior to the implementation of the Plan, have been cancelled and extinguished for no consideration and without any return of capital.

As part of the Plan, the Company has issued New Shares for gross proceeds of $31.7 million, compromised $186.1 million of indebtedness and obtained a $30 million senior secured credit facility available on a revolving basis until May 31, 2021. Net debt at the end of the quarter of $167.0 million adjusted for $186.1 million of liabilities to be compromised is a working capital surplus of $19.1 million. In addition, as part of the Plan, the Company has issued New Warrants to KRC that are exercisable into such number of New Shares as will result in KRC holding 50%+1 of the issued and outstanding New Shares for payment of an aggregate exercise price equal to approximately $37.5 million plus estimated closing adjustments of $2.5 million. The exercise of the New Warrants are subject to the satisfaction of certain conditions as per the Capital Investment Agreement dated July 5, 2020. A copy of the Capital Investment Agreement may be retrieved at www.sedar.com.

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.

Net Debt [(3)]

	September 30, 2020	December 31, 2019
Interim Facility	**13,685**	-
Senior credit facility	**13,006**	46,363
Senior secured notes [(1)]	**119,386**	103,510
Capital surcharge	**1,176**	-
Adjusted working capital deficit [(3)]	**19,698**	5,424
Net debt[(2)(3)]	**166,951**	155,297
Liabilities to be compromised	**(186,093)**	-
Adjusted net debt (surplus) [(3)]	**(19,142)**	**155,297**

(1) $119.7 million principal amount of senior secured notes outstanding as at September 30, 2020
(2) Net debt and adjusted net debt excludes $5.8 million and $5.3 million as September 30, 2020 and December 31, 2019, respectively, of outstanding letters of credit
(3) Refer to non-GAAP measures

Adjusted working capital [(1)]	**As at September 30, 2020**
Current assets	29,362
Exclusion of the current fair value of financial instruments	(114)
	29,248
Current liabilities	195,150
Interim Facility	(13,685)
Senior credit facility	(13,006)
Senior secured notes	(119,386)
Capital surcharge	(127)
	48,946
Adjusted working capital deficit	**19,698**

(1) Refer to non-GAAP measures

Interim Financing

	Interim Financing
Balance as at December 31, 2019	-
Interim loan facility	13,500
Transaction costs	(473)
Amortization of transaction costs	473
Interim loan facility	13,500
Loan under Interim letter of credit facility	185
Balance as at September 30, 2020	**13,685**

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. Luminus Energy is an affiliate of a pooled investment vehicle of Luminus Management LLC ("Luminus"). Luminus is a related party of Delphi which, at September 30, 2020, through one or more of its pooled investment vehicles or affiliates thereof, held 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 as at September 30, 2020.

ATB Financial and Luminus Energy were granted third and fourth ranking super-priority charges, respectively, over the Company's and its subsidiaries' assets and property in connection with such facilities.

Proceeds of advances under the Interim Loan Facility were 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.

The Interim Letter of Credit Facility is not to exceed $6.25 million and bore fees of 6.75 percent payable quarterly in advance. The Company has approximately $5.8 million outstanding on the Interim Letter of Credit Facility, $5.6 million by way of outstanding letter of credits and a $0.2 million term loan.

The Company's Interim Loan Facility is not to exceed $13.5 million and was 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 bore 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 September 30, 2020, the Company had $13.5 million drawn on 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.

Subsequent to September 30, 2020 and in accordance with the Plan, the Interim Loan Facility and the accrued and unpaid interest was compromised in its entirety in exchange for approximately 14.8% of the issued and outstanding New Shares of Delphi.

Senior Credit Facility

	September 30, 2020	December 31, 2019
Senior Credit Facility		
Bankers' acceptances, net of discount	**-**	46,363
First lien claim	**13,006**	-
Balance as at September 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 was extended by the Court to October 30, 2020.

The commencement of the CCAA proceedings was 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, 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, at September 30, 2020, through one or more of its pooled investment vehicles or affiliates thereof, held 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 as at September 30, 2020.

On October 16, 2020, the senior credit facility and the accrued and unpaid interest was compromised in its entirety as part of the Plan in exchange for approximately 14.2% of the issued and outstanding New Shares of Delphi.

Subsequent to September 30, 2020, concurrently with the implementation of the Plan, the Company obtained a $30 million senior secured revolving credit facility from ATB Financial. The senior secured facility is available on a revolving basis until

May 31, 2021, at which time it may be extended at the lender's option. The senior credit facility is secured by 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	1,508
Acceleration of accretion and amortization of issue costs	8,954
Balance as at September 30, 2020	**119,386**

At September 30, 2020 Delphi had outstanding $119.7 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 was 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 $119.7 million. In addition, the Company has accelerated the amortization of transaction costs related to the issue of senior secured notes over the remaining contractual term to align with the 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 equity subscription receipts ("ESRs") and note subscription receipts ("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 have been compromised in its entirety as part of the Plan in exchange for approximately 36.4% 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)
Payments made	(163)
Effective interest	128
Balance as at September 30, 2020	**1,176**
Current portion	**127**
Long term portion	**1,049**

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 November 24, 2020, the Company had 6.1 million Class A common shares outstanding, 0.3 million stock options outstanding, 0.3 million restricted share units convertible into Class A common shares, and 3.3 million warrants outstanding. The stock options and restricted share units have an average exercise price of $15.00 per option and $0.01 per restricted share unit, respectively and the warrants have an average exercise price of $11.20 per warrant**.** All common shares, options and warrants outstanding prior the implementation of the Plan have been 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 was 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 was 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 were 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)	2,824	11,798	14,414	14,426	14,447	12,448
Office, equipment and software leases	71	298	298	298	275	-
Accounts payable and accrued liabilities (not compromised)	7,917	-	-	-	-	-
Capital surcharge	69	296	331	369	414	187
Decommissioning obligations (3)	585	239	268	1,540	328	25,483
Management services fee (4)	346	2,693	2,003	-	-	-
Interest payments on senior secured notes (2)	-	-	-	-	-	-
Accrued interest on interim and senior credit facilities (2)	-	-	-	-	-	-
Senior credit facility (2)	-	-	-	-	-	-
Interim Facility (2)	-	-	-	-	-	-
Senior secured notes (2)	-	-	-	-	-	-
Total	11,812	15,324	17,314	16,633	15,464	38,118

(1) Balances denominated in U.S. dollars have been translated at the September 30, 2020 exchange rate.
(2) Amounts have been compromised under the Plan, effective October 16, 2020.
(3) Amounts represent the inflated, discounted future abandonment and reclamation expenditures anticipated to be incurred over the life of the Company's properties.
(4) In accordance with the Management Services Agreement between Delphi Energy Corp. and KRC dated July 5, 2020 as filed on www.sedar.com.

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:

	Sep. 30, 2020	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sep. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018
Production (boe conversion – 6:1 basis)								
Field condensate (bbls/d)	2,153	2,300	1,683	1,747	2,154	2,762	2,323	2,644
Natural gas liquids (bbls/d)	849	840	958	1,027	1,299	1,245	1,265	1,289
Natural gas (mcf/d)	21,800	20,897	23,601	25,487	29,600	30,897	31,024	33,063
Barrels of oil equivalent (boe/d)	6,635	6,623	6,575	7,022	8,386	9,157	8,759	9,444
Financial ($ thousands, except per share)								
Crude oil and natural gas sales	15,750	9,316	14,259	19,147	20,612	27,026	26,353	26,786
Net earnings (loss)	(9,212)	(22,164)	(109,970)	(13,082)	10,628	(53,620)	(18,507)	(17,318)
Per share – basic & diluted(2)	(1.51)	(3.64)	(18.06)	(2.15)	1.75	(8.81)	(3.04)	(2.84)
Adjusted funds flow(1)	(1,381)	9,025	3,819	6,573	21,291	11,963	12,351	8,890
Per share – basic & diluted(1)(2)	(0.23)	1.48	0.63	1.08	3.50	1.97	2.03	1.46

(1) Refer to non-GAAP measures
(2) Per share amounts have been adjusted to reflect the Company's Restructuring Transaction.

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 production throughout the month of April and May and has yet to bring back on all of the shut-in production. 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. As commodity prices started to improve throughout the third quarter of 2020, the third well from the winter 2020 program was brought onstream on September 3, 2020. Production in the third quarter of 2020 averaged 6,635 boe/d.

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 Information Circular 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 July 1, 2020 and ending on September 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

During the CCAA proceedings, the Company's operations were limited by the terms of the Interim Financing and by orders granted by the Court in the CCAA proceedings. As a result, many of the assumptions related to the previous guidance published by the Company are no longer 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 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. Current liabilities have been adjusted for Interim Financing, senior secured facility, senior secured notes and capital surcharge as they are shown separately for consistency with disclosure. 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.

Adjusted net debt – net debt adjusted for liabilities subject to compromise. Adjusted net debt is used to monitor the Company's leverage levels upon emergence from CCAA.

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 the continued availability of Delphi's senior secured credit facility; field optimization techniques to reduce operating costs and to bring on shut-in production; expected savings in field condensate transportation and associated elimination of wait times at the service terminal and reduction in trucking charges; expected termination benefits payable related to implementation of the Plan and exercise of the New Warrants; estimated tax pools and tax pools available to shelter debt forgiveness; 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. 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)	**September 30, 2020**	December 31, 2019
(unaudited)		
Assets		
Current assets		
Cash and cash equivalents	**17,390**	526
Accounts receivable	**9,069**	12,673
Prepaid expenses and deposits	**2,789**	1,738
Fair value of financial instruments (Note 5)	**114**	6,306
	29,362	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)	**162,046**	272,119
Total assets	**200,480**	302,348
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**7,917**	18,657
Interim letter of credit facility (Note 9)	**185**	-
Lease obligations	**243**	590
Capital surcharge (Note 12)	**127**	-
Decommissioning obligations (Note 8)	**585**	1,704
Liabilities subject to potential compromise (Note 2d)	**186,093**	-
	195,150	20,951
Senior credit facility (Note 10)	**-**	46,363
Senior secured notes (Note 11)	**-**	103,510
Lease obligations	**667**	715
Capital surcharge (Note 12)	**1,049**	-
Decommissioning obligations (Note 8)	**27,858**	23,550
Total liabilities	**224,724**	195,089
Shareholders' equity (deficiency)		
Share capital (Note 13)	**363,683**	353,842
Warrants (Note 13)	**5,627**	5,627
Contributed surplus	**22,203**	22,201
Deficit	**(415,757)**	(274,411)
Total shareholders' equity (deficiency)	**(24,244)**	107,259
Total liabilities and shareholders' equity	**200,480**	302,348

See accompanying notes to the condensed consolidated interim financial statements.

Subsequent events (Notes 2, 5, 9, 10, 11, 13)

DELPHI ENERGY CORP.

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

	Three Months Ended September 30		Nine Months Ended September 30	
(thousands of dollars, except per share amounts)	**2020**	2019	**2020**	2019
(unaudited)				
Revenues				
Crude oil and natural gas sales (Note 14)	**15,750**	20,612	**39,325**	73,991
Marketing revenue	**3,185**	14,044	**7,008**	18,535
Royalties	**(1,129)**	(1,809)	**(2,826)**	(4,902)
Other income	**218**	-	**528**	-
	18,024	32,847	**44,035**	87,624
Realized gain (loss) on financial instruments (Note 5)	**(129)**	5,381	**22,025**	9,577
Unrealized gain (loss) on financial instruments (Note 5)	**114**	101	**(6,215)**	(11,572)
	18,009	38,329	**59,845**	85,629
Expenses				
Operating	**3,999**	7,313	**14,645**	22,219
Transportation	**2,148**	3,156	**6,830**	10,226
Marketing	**4,602**	888	**10,425**	2,547
General and administrative	**1,326**	1,362	**4,536**	4,256
Restructuring costs (note 15)	**3,399**	-	**6,673**	-
Share-based compensation (recovery)	**26**	(65)	**-**	222
Gain on dispositions	**-**	-	**-**	(350)
Depletion, depreciation and impairment (Note 7)	**6,493**	10,357	**136,039**	94,279
	21,993	23,011	**179,148**	133,399
Finance costs (note 11 and 16)	**5,228**	4,690	**22,043**	13,729
Net earnings (loss) and comprehensive earnings (loss)	**(9,212)**	10,628	**(141,346)**	(61,499)
Net earnings (loss) per share (Note 13)				
Basic and diluted (note 2(e))	**(1.51)**	1.75	**(23.22)**	(10.10)

See accompanying notes to the condensed consolidated interim financial statements.

DELPHI ENERGY CORP.

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

(thousands of dollars)	**2020**	2019
(unaudited)		
Share capital (Note 13)		
Common shares		
Balance, beginning of period	**353,842**	347,011
Private placement	**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	**2**	434
Balance, end of period	**22,203**	22,237
Deficit		
Balance, beginning of period	**(274,411)**	(199,830)
Net loss	**(141,346)**	(61,499)
Balance, end of period	**(415,757)**	(261,329)
Total shareholders' equity (deficiency)	**(24,244)**	110,974

See accompanying notes to the condensed consolidated interim financial statements.

DELPHI ENERGY CORP.

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

	Three Months Ended September 30		Nine Months Ended September 30	
(thousands of dollars)	**2020**	2019	**2020**	2019
(unaudited)				
Cash flow from (used in) operating activities				
Net earnings (loss)	**(9,212)**	10,628	**(141,346)**	(61,499)
Adjustments for:				
Depletion, depreciation and impairment	**6,493**	10,357	**136,039**	94,279
Accretion and finance charges	**1,426**	641	**10,781**	1,885
Share-based compensation (recovery)	**26**	(65)	**-**	222
Gain on dispositions	**-**	-	**-**	(350)
Unrealized (gain) loss on financial instruments	**(114)**	(101)	**6,215**	11,572
Settlement of unutilized take-or-pay contract	**-**	(169)	**(225)**	(504)
Decommissioning expenditures (Note 8)	**(75)**	-	**(609)**	-
Change in non-cash working capital (Note 17)	**1,482**	(4,002)	**12,970**	(4,317)
	26	17,289	**23,825**	41,288
Cash flow from (used in) financing activities				
Increase (decrease) in senior credit facility (Note 10)	**-**	(12,396)	**(33,357)**	3,038
Issue of shares, net of transaction costs	**-**	-	**9,841**	-
Increase in interim financing (Note 9)	**3,014**	-	**13,685**	-
Repayment of lease obligations	**(198)**	(212)	**(498)**	(620)
Increase (decrease) in Capital surcharge (Note 12)	**(35)**	-	**1,176**	-
Issue of senior secured notes, net of issue costs (Note 11)	**-**	-	**5,414**	-
	2,781	(12,608)	**(3,739)**	2,418
Cash flow available for investing activities	**2,807**	4,681	**20,086**	43,706
Cash flow from (used in) investing activities				
Additions to exploration and evaluation assets	**-**	(93)	**(109)**	(357)
Additions to property, plant and equipment	**(158)**	184	**(22,373)**	(26,420)
Change in non-cash working capital (Note 17)	**1,021**	(881)	**19,260**	(15,838)
	863	(790)	**(3,222)**	(42,615)
Increase in cash and cash equivalents	**3,670**	3,891	**16,864**	1,091
Cash and cash equivalents, beginning of period	**13,720**	905	**526**	3,705
Cash and cash equivalents, end of period	**17,390**	4,796	**17,390**	4,796
Cash interest paid	**168**	4,028	**4,973**	11,707

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 nine months ended September 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 November 24, 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) Basis of Presentation

At the end of March 2020, due principally 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. As a result, 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"). On September 9, 2020, Delphi's creditors approved the Company's plan of compromise and arrangement (the "Plan") (see Note 2d) under the CCAA and on September 11, 2020, the Plan was sanctioned by the Court. On October 16, 2020, the Company completed the restructuring contemplated under the Plan, reducing the Company's indebtedness by approximately $186.1 million and providing for $31.6 million of new capital. Accordingly, these condensed consolidated interim financial statements have been prepared on a going concern basis.

(d) Plan of Compromise and Arrangement

On April 14, 2020, the Company obtained an Initial Order from the Court under the CCAA. The commencement of the CCAA proceedings was an event of default under the senior credit facility and the senior secured notes and accordingly, such liabilities were classified as current.

The Initial Order in the CCAA proceedings granted the Company the authority to carry on business in a manner consistent with the preservation of its business and property. The Initial Order was 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. Since the Initial Order, the

Company obtained multiple orders from the Court to extend the stay period, with the last order extending the stay period to October 30, 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).

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 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 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.

On September 9, 2020, the implementation of the Restructuring Transaction and the Plan was approved by the required majorities of holders of the Company’s senior secured notes due 2023 and General Unsecured Creditors (as such term is defined in the Plan). On September 11, 2020, the Company obtained an order of the Court sanctioning the Plan under the CCAA.

On October 16, 2020, the Company completed the restructuring and transactions contemplated under the Plan.

Restructuring Transaction

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

- The Company’s indebtedness was reduced by approximately $186.1 million;

- The Interim Loan Facility, senior secured facility and senior secured notes have been settled in exchange for 14.8%, 14.2% and 36.4%, respectively, of the issued and outstanding voting common shares of a newly created class of shares of the Company (the “New Shares”);

- Second lien beneficial noteholders holding $897,000 face value of senior secured notes received an aggregate of $224,250 of cash payments pursuant to Second Lien Opt-Out Elections (as such term is defined in the Plan);

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

- In exchange for the Capital Investment, the Company issued to KRC (i) 25% of the issued and outstanding New Shares (on a non-diluted basis), plus (ii) purchase warrants (“New Warrants”) that are exercisable into such number of New Shares as will result in KRC holding 50%+1 of the issued and outstanding New Shares for payment of an aggregate exercise price equal to approximately $37.5 million plus estimated closing adjustments of $2.5 million;

- General unsecured creditors with accepted claims less than or equal to $5,000 (“Convenience Class Creditors”), and other general unsecured creditors who validly made elections to be treated as Convenience Class Creditors, were paid in full up to $5,000;

- All other General Unsecured Creditors, including second lien beneficial noteholders in respect of a deficiency claim (as such terms defined in the Plan), became entitled to payment in respect of their accepted claims based on their pro rata share of a General Unsecured Creditor cash pool in the amount of $3 million, less amounts required to fund payments to Convenience Class Creditors;

- Delphi has granted 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") were cancelled and extinguished for no consideration and without any return of capital. Holders of Equity Claims were not entitled to attend or vote at shareholder 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 September 30, 2020, in connection with the CCAA proceedings, the Company identified the following obligations that are subject to potential compromise:

Interim financing (Note 9)	13,500
Interest on interim financing	164
Senior secured facility (Note 10)	13,006
Interest on senior secured facility	259
Senior secured notes (Note 11)	119,386
Interest on senior secured notes	8,557
Accounts payable	31,221
Total liabilities subject to potential compromise	**186,093**

The above amounts represent their amortized cost as at September 30, 2020 and have not been adjusted to fair value.

(e) Earnings per share presentation

As part of the Company's Plan and Restructuring Transactions (see Note 2d), all of the existing common shares, options and warrants of Delphi were cancelled and extinguished for no consideration and New Shares were issued on October 16, 2020. In accordance with International Accounting Standards 33 – Earnings per Share ("IAS 33"), per share calculations presented should be based on the new number of outstanding shares if the number of outstanding shares changes as a result of a recapitalization. The change to the number of common shares is used if the changes occur after the reporting period but before the financial statements are authorized for issue. Accordingly, the weighted average common shares used for the periods presented have been adjusted to reflect the current number of New Shares outstanding.

(f) 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, 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 September 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 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 of the Company's senior credit facility and Interim Financing facility approximates its carrying value as it bears interest that is reflective of the Company's current credit premium. As a result of the Company's CCAA proceedings and implementation of the Plan, the fair value of the Company's senior credit facility, Interim Financing facility and senior secured notes have been compromised.

(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 of the financial contracts being classified as unrealized gains and losses in the consolidated statement of loss.

Contract Type	September 30, 2020	December 31, 2019
Natural gas contracts asset	**-**	1,100
Propane contracts asset	**-**	698
Crude oil contracts asset	**114**	4,468
Foreign exchange contracts asset	**-**	63
Net risk management contracts asset	**114**	6,329

As at September 30, 2020, the Company had the following commodity risk management contracts outstanding:

Crude Oil Contracts

Time Period	Type of Contract	Quantity Contracted	Price ($/unit)	Reference
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 October and November 2020 were purchased at a price of $3.95 per barrel and $4.00 per barrel, respectively.

For the three months ended September 30, 2020, Delphi recorded an unrealized gain on its risk management contracts of $0.1 million. The unrealized gain recognized for the three months ended September 30, 2020 is the difference between the fair values of the risk management contracts outstanding as at September 30, 2020 and the fair values as at June 30, 2020.

For the nine months ended September 30, 2020, Delphi recorded an unrealized loss on its risk management contracts of $6.2 million. The unrealized loss recognized for the nine months ended September 30, 2020 is the difference between the fair values of the risk management contracts outstanding as at September 30, 2020 and the fair values as at December 31, 2019.

Subsequent to September 30, 2020, Delphi entered into the following contracts.

Crude Oil Contracts

Time Period	Type of Contract	Quantity Contracted	Price ($/unit)	Reference
December 2020 – March 2021	Fixed price swap	150 bbls/d	$54.40 Cdn	WTI
December 2020 – March 2021	Fixed price swap	150 bbls/d	$55.00 Cdn	WTI
April 2021 – December 2021	Fixed price swap	125 bbls/d	$56.20 Cdn	WTI
April 2021 – December 2021	Fixed price swap	125 bbls/d	$55.70 Cdn	WTI

Natural Gas Contracts

Time Period	Type of Contract	Quantity Contracted	Price ($/unit)	Reference
December 2020 – March 2021	Fixed price swap	2,700 gj/d	$2.78 Cdn	AECO
December 2020 – March 2021	Fixed price swap	2,700 gj/d	$2.51 Cdn	AECO
April 2021 – December 2021	Fixed price swap	1,575 gj/d	$2.43 Cdn	AECO
April 2021 – December 2021	Fixed price swap	1,575 gj/d	$2.27 Cdn	AECO
January 2022 – June 2022	Fixed price swap	750 gj/d	$2.49 Cdn	AECO
January 2022 – June 2022	Fixed price swap	750 gj/d	$2.37 Cdn	AECO
July 2022 – December 2022	Fixed price swap	675 gj/d	$2.25 Cdn	AECO
July 2022 – December 2022	Fixed price swap	675 gj/d	$2.24 Cdn	AECO
December 2020 – March 2021	Fixed price swap	2,550 mmbtu/d	$3.91 Cdn	NYMEX
December 2020 – March 2021	Fixed price swap	2,550 mmbtu/d	$3.56 Cdn	NYMEX
April 2021 – December 2021	Fixed price swap	1,475 mmbtu/d	$3.81 Cdn	NYMEX
April 2021 – December 2021	Fixed price swap	1,475 mmbtu/d	$3.59 Cdn	NYMEX
January 2022 – June 2022	Fixed price swap	700 mmbtu/d	$3.69 Cdn	NYMEX
January 2022 – June 2022	Fixed price swap	700 mmbtu/d	$3.59 Cdn	NYMEX
July 2022 – December 2022	Fixed price swap	650 mmbtu/d	$3.41 Cdn	NYMEX
July 2022 – December 2022	Fixed price swap	650 mmbtu/d	$3.44 Cdn	NYMEX

Basis Differential Contracts

Delphi ships approximately half of its natural gas production through the Alliance pipeline system into the Chicago market. As a result, the Company has entered into NYMEX to Chicago basis differential contracts in order to fix the basis on a portion of its natural gas sales in the Chicago market.

Time Period	Type of Contract	Quantity Contracted	Differential (U.S. $/unit))
December 2020 – March 2021	Fixed price swap	2,550 mmbtu/d	($0.115)
December 2020 – March 2021	Fixed price swap	2,550 mmbtu/d	($0.190)
April 2021 – December 2021	Fixed price swap	1,475 mmbtu/d	($0.240)
April 2021 – December 2021	Fixed price swap	1,475 mmbtu/d	($0.255)
January 2022 – June 2022	Fixed price swap	700 mmbtu/d	($0.100)
January 2022 – June 2022	Fixed price swap	700 mmbtu/d	($0.110)
July 2022 – December 2022	Fixed price swap	650 mmbtu/d	($0.225)
July 2022 – December 2022	Fixed price swap	650 mmbtu/d	($0.210)

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 September 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 nine 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 September 30, 2020 and December 31, 2019, the Company determined that no indicators of impairment existed on its E&E assets and not impairment test calculation was required.

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	21,838	526	16	22,380
Decommissioning obligations	2,396	1,144	-	3,540
Right of Use Assets	-	46	-	46
Balance as at September 30, 2020	**687,240**	**66,576**	**2,199**	**756,015**

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	(20,936)	(88)	(158)	(21,182)
Impairment loss	(101,723)	(12,890)	(244)	(114,857)
Balance as at September 30, 2020	**(547,926)**	**(44,384)**	**(1,659)**	**(593,969)**
Net book value as at December 31, 2019	237,739	33,454	926	272,119
Net book value as at September 30, 2020	**139,314**	**22,192**	**540**	**162,046**

Delphi has included $457.1 million (September 30, 2019: $481.9 million) of future development costs and excluded $1.0 million (September 30, 2019: $0.9 million) for estimated salvage to its costs subject to depletion and depreciation.

For the nine months ended September 30, 2020, Delphi capitalized $0.4 million (December 31, 2019: $1.9 million) of general and administrative expenses and two 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 cash-generating units (CGUs) as at September 30, 2020. Based on management's assessment, there were no indicators of impairment for the Company's CGUs and no impairment calculation was 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 $26.3 million (December 31, 2019 - $26.9 million) to be settled on an ongoing basis over a period of approximately 49 years. During the nine months ended September 30, 2020, long-term risk-free nominal rates in Canada declined below target inflation rates, indicating a negative real rate of return. A risk-free rate of 1.11 percent (December 31, 2019 – 1.76 percent) and an inflation rate of 1.29 percent (December 31, 2019 – 1.34 percent) were used to calculate the estimated fair value of the decommissioning obligations.

	September 30, 2020	December 31, 2019
Balance, beginning of period	**25,254**	28,507
Liabilities incurred	**124**	151
Liabilities settled	**(609)**	(155)
Accretion expense	**258**	555
Change in future estimated cash outlays	**3,416**	(3,804)
Balance, end of period	**28,443**	25,254
Current portion	**585**	1,704
Long term portion	**27,858**	23,550

9) INTERIM FINANCING

	Interim Financing
Balance as at December 31, 2019	-
Interim loan facility	13,500
Transaction costs	(473)
Amortization of transaction costs	473
Interim loan facility (Note 2(d))	13,500
Loan under Interim Letter of Credit facility	185
Balance as at September 30, 2020	**13,685**

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. Luminus Energy is an affiliate of a pooled investment vehicle of Luminus Management LLC ("Luminus"). Luminus is a related party of Delphi which, at September 30, 2020, through one or more of its pooled investment vehicles or affiliates thereof, held 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 as at September 30, 2020.

ATB Financial and Luminus Energy were granted third and fourth ranking super-priority charges, respectively, over the Company's and its subsidiaries' assets and property in connection with such facilities.

Proceeds of advances under the Interim Loan Facility were 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.

The Interim Letter of Credit Facility is not to exceed $6.25 million and bore fees of 6.75 percent payable quarterly in advance. The Company has approximately $5.8 million outstanding on the Interim Letter of Credit Facility, $5.6 million by way of outstanding letter of credits and a $0.2 million term loan.

The Company's Interim Loan Facility is not to exceed $13.5 million and was 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 bore 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 September 30, 2020, the Company had $13.5 million drawn on 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.

On October 16, 2020 and in accordance with the Plan, the Interim Loan Facility and the accrued and unpaid interest was compromised in its entirety in exchange for approximately 14.8% of the issued and outstanding New Shares of Delphi.

10) SENIOR CREDIT FACILITY

	September 30, 2020	December 31, 2019
Senior Credit Facility		
Bankers' acceptances, net of discount	**-**	46,363
First lien claim	**13,006**	-
Balance as at September 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 was extended by the Court to October 30, 2020.

The commencement of the CCAA proceedings was 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, 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, at September 30, 2020, through one or more of its pooled investment vehicles or affiliates thereof, held 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 as at September 30, 2020.

On October 16, 2020, the senior credit facility and the accrued and unpaid interest was compromised in its entirety as part of the Plan in exchange for approximately 14.2% of the issued and outstanding New Shares of Delphi.

Subsequent to September 30, 2020, concurrently with the implementation of the Plan, the Company obtained a $30 million senior secured revolving credit facility from ATB Financial. The senior secured facility is available on a revolving basis until May 31, 2021, at which time it may be extended at the lender's option. The senior credit facility is secured by a $200.0 million demand floating charge debenture and a general security agreement over all of the assets of the Company.

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	1,508
Acceleration of accretion and amortization of issue costs	8,954
Balance as at September 30, 2020	**119,386**

At September 30, 2020 Delphi had outstanding $119.7 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.

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 was 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 $119.7 million. In addition, the Company has accelerated the amortization of transaction costs related to the issue of senior secured notes over the remaining contractual term to align with the 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 occurred in respect of Delphi's previously issued equity subscription receipts ("ESRs") and note subscription receipts ("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.

On October 16, 2020, 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 36.4% 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)
Payments made	(163)
Effective interest	128
Balance as at September 30, 2020	**1,176**
Current portion	**127**
Long term portion	**1,049**

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.

In accordance with the Company's Plan (see note 2(d)), on October 16, 2020, all of the Company's outstanding common shares, options and warrants were cancelled and extinguished for nil consideration and 6.1 million New Shares were issued as part of the Restructuring Transaction. In addition, the Company granted to certain officers and directors options and restricted share units entitling them to acquire in the aggregate 10% of the issued and outstanding New Shares.

Issued and outstanding

	September 30, 2020		December 31, 2019	
	Outstanding shares (000's)	**Amount**	Outstanding shares (000's)	Amount
Balance, beginning of period	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 period	24,489	363,683	18,429	353,842

In February 2020, the Company issued 6.1 million common shares at a price of $1.65 per common share through a private placement in connection with the Recapitalization Transaction completed in November 2019. Delphi has allocated $0.2 million of the Recapitalization Transaction costs to the issue of common shares.

(a) Warrants and Options

As at September 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 September 30, 2020, 3.2 million stock options were outstanding with a weighted exercise price of $1.07 per option. Each stock option entitles the holder to purchase one fifteenth of a post-consolidation Common Share.

On October 16, 2020, as part of the implementation of the Plan, all of the outstanding options and warrants were cancelled.

(b) Net earnings (loss) per share

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
Weighted average common shares – basic and diluted	**6,088**	6,088	**6,088**	6,088
Net earnings (loss) per basic and diluted share	**(1.51)**	1.75	**(23.22)**	(10.10)

In accordance with IAS 33, per share calculations are based on the new number of outstanding shares if the number of outstanding shares changes as a result of a recapitalization. The change to the number of common shares is used if the changes occur after the reporting period but before the financial statements are authorized for issue. Accordingly, the weighted average common shares used for the periods presented have been adjusted to reflect the current number of New Shares outstanding and no options or warrants have been included in the calculation as all securities of the Company prior to the implementation of the Plan have been cancelled and extinguished.

14) REVENUE

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	**2020**	2019
Natural gas	**4,946**	5,360	**14,082**	21,940
Field condensate	**9,138**	12,681	**21,141**	42,773
Natural gas liquids	**1,664**	2,534	**4,108**	9,044
Sulphur	**2**	37	**(6)**	234
Total crude oil and natural gas sales	**15,750**	20,612	**39,325**	73,991

15) RESTRUCTURING COSTS

In the first nine months of 2020, the Company has incurred $6.7 million in connection with the CCAA proceedings. Restructuring costs are comprised of legal fees, Monitor fees, financial advisory fees, investor relations and consultant fees.

Due to the implementation of the Plan, the Company will incur $0.3 million of termination benefits in the fourth quarter of 2020. In addition, the Company may be subject to further termination benefits in the amount of $0.8 million if KRC exercises the New Warrants, resulting in KRC holding 50%+1 of the issued and outstanding New Shares. As these additional termination benefits are dependent on an event that is outside of Delphi's control, the Company has not recorded a provision at September 30, 2020.

16) FINANCE COSTS

Finance costs is comprised of the following:

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2020	2019	**2020**	2019
Interest on interim financing	**447**	-	**637**	-
Interest on senior credit facility	**257**	1,340	**1,426**	3,616
Effective interest on senior secured notes	**4,301**	3,129	**19,629**	9,280
Effective interest on lease obligations	**23**	71	**80**	225
Effective interest on Capital Surcharge	**128**	-	**128**	-
Accretion on decommissioning obligations	**79**	153	**258**	441
Effective interest on unutilized take-or-pay commitment	**-**	5	**8**	17
Foreign exchange (gain) loss	**(7)**	(8)	**(123)**	150
Total finance costs	**5,228**	4,690	**22,043**	13,729

17) SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2020	2019	**2020**	2019
Source (use) of cash				
Accounts receivable	**(139)**	1,694	**3,604**	17,819
Prepaid expenses and deposits	**321**	(384)	**(1,051)**	(2,816)
Accounts payable and accrued liabilities [1]	**2,321**	(6,193)	**29,677**	(35,158)
Total change in non-cash working capital	**2,503**	(4,883)	**32,230**	(20,155)
Relating to:				
Operating activities	**1,482**	(4,002)	**12,970**	(4,317)
Investing activities	**1,021**	(881)	**19,260**	(15,838)
	2,503	(4,883)	**32,230**	(20,155)

[1] The change in non-cash working capital for accounts payable and accrued liabilities as at September 30, 2020 includes the change in accounts payable and accrued liabilities related to liabilities to be compromised. As at September 30, 2020, $40.2 million of liabilities to be compromised have been included in the calculation.

DIRECTORS

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Delphi Energy Corp.

P. Eric Gallie
Chief Financial Officer
Delphi Energy Corp.

Kevin Brown [2][3][4]
Co-Chair and Director of ARC Financial Corp.

Pat Carlson [2][3][4]
CEO of Kiwetinohk Resources Corp.

Shawn Singh [2][3][4]
General Counsel and Chief Compliance Officer
Luminus Management

(1) Chair of the Board
(2) Member of the Audit Committee
(3) Member of the Reserves Committee
(4) Member of the Corporate, Governance & Compensation Committee

OFFICERS

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President and Chief Executive Officer

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Chief Financial Officer

Michael K. Galvin
Vice President Land

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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
mmbtu/d…… million british thermal units
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