



Delphi Energy Corp.

ANNUAL INFORMATION FORM
For the year ended December 31, 2013

March 28, 2014

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INTRODUCTORY INFORMATION

In this Annual Information Form (this “AIF”), unless otherwise specified or the content otherwise requires, reference to “Delphi” or the “Corporation” includes reference to subsidiaries of and partnership interests held by Delphi Energy Corp. and its subsidiaries.

Defined terms, abbreviations and conversions used throughout this AIF which are not defined or explained in the text can be found in Appendix “C”.

Unless otherwise specified, all dollar amounts are expressed in Canadian dollars, all references to “dollars” or “\$” are to Canadian dollars and all references to “US\$” are to United States dollars.

FORWARD-LOOKING INFORMATION

This AIF contains certain forward-looking information or forward-looking statements within the meaning of applicable securities legislation (collectively “forward-looking information”). Forward-looking information typically contains statements with words such as “anticipate”, “expect”, “believe”, “plan”, “estimate”, “may”, “will”, “should”, “intends” or similar words suggesting future outcomes. Forward-looking information contained in this AIF includes, but is not limited to, statements regarding:

- *Business prospects and strategy;*
- *Planned capital expenditures;*
- *Expected results from the Corporation’s portfolio of oil and gas assets;*
- *Planned drilling, exploration and development;*
- *Future net cash flows and discounted cash flows;*
- *Future tax horizon;*
- *The ability of the Corporation to fund its capital program and future development through cash flow from operations, debt financing and new equity;*
- *Future development, abandonment and reclamation costs;*
- *Expectations with respect to earning further Montney sections through the drilling of a well;*
- *Development potential of the Cretaceous Gething formation at Bigstone; and*
- *Expectations, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, results of operations or performance (financial or otherwise).*

The forward-looking statements contained in this AIF are based on certain assumptions, including expectations and assumptions relating to the stability of the global and national economic environment; the stability of and commercial acceptability of tax, royalty and regulatory regimes applicable to Delphi; exploitation and development activities being consistent with management’s expectations; production levels of Delphi being consistent with management’s expectations; the absence of significant project delays; the stability of oil and gas prices; the absence of significant fluctuations in foreign exchange rates and interest rates; the stability of costs of oil and gas development and production in Western Canada,

including operating costs; the timing and size of development plans and capital expenditures; availability of third party infrastructure for transportation; processing or marketing of oil and natural gas volumes; prices and availability of oilfield services and equipment being consistent with management's expectations; the availability of, and competition for, among other things, pipeline capacity, skilled personnel and drilling and related services and equipment; results of development and exploitation activities that are consistent with management's expectations; weather affecting Delphi's ability to develop and produce as expected; contracted parties providing goods and services on the agreed timeframes; Delphi's ability to manage environmental risks and hazards and the cost of complying with environmental regulations; the accuracy of operating cost estimates; the accurate estimation of oil and gas reserves; future exploitation, development and production results; Delphi's ability to market oil and natural gas successfully to current and new customers; future well production rates; the performance of existing wells; the success of drilling new wells and the capital availability to undertake planned activities.

Readers are cautioned not to place undue reliance on forward-looking information because it is possible that predictions, forecasts, projections and other forms of forward-looking information will not be achieved by Delphi and actual results may vary materially from such forecasts, predictions and projections. By its nature, Delphi's forward-looking information involves numerous known and unknown risks, including those discussed under the heading "Risk Factors", and uncertainties including, but not limited to, the following factors: general global economic and business conditions including the effect, if any, of a potential economic slowdown in the U.S. and/or Canada; changes in business strategies; operational risks in development, exploration and production; delays or changes to plans with respect to exploration or development projects or capital expenditures; the ability to access sufficient capital from internal and external resources; the availability and price of energy commodities from the perspective of both a producer and a user of such commodities; the effects of competition and pricing pressures; industry overcapacity; shifts in market demands; changes in laws and regulations, including environmental and regulatory laws such as the imposition of restrictions in response to environmental concerns with respect to the production of oil and gas; potential increases in maintenance and operating costs; uncertainties of litigation; labour disputes; timing of completion of capital or maintenance projects; currency and interest rate fluctuations; various events which could disrupt operations, including severe weather conditions; and technological changes. Statements relating to "reserves" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future. Readers are cautioned that the forgoing list of factors is not exhaustive. The forward-looking statements in this AIF are expressly qualified by this cautionary statement.

Delphi does not undertake any obligation to publicly update or revise any forward-looking statement unless required by applicable law. Further, readers should also carefully consider the matters discussed under the heading "Risk Factors" in this AIF.

CORPORATE STRUCTURE

Name, Address and Incorporation

Delphi was formed on June 19, 2003 through the business combination (“Merger”) of DT Energy Ltd. (“DTE”) and Rise Energy Ltd. (“Rise”). The Merger was completed by way of a plan of arrangement, pursuant to which Rise acquired all of the common shares of DTE in consideration for common shares issued by Rise. Rise’s name was changed to Delphi Energy Corp. and its board of directors and senior management positions were reconstituted. The two companies then amalgamated, resulting in Delphi being the only corporate entity at the time. Delphi is subject to the *Business Corporations Act (Alberta)* (“ABCA”). On January 1, 2004, the Corporation filed Articles of Amalgamation to complete a short-form amalgamation with two wholly-owned subsidiaries, Murias Energy Corporation (“Murias”) and Fish Creek Resources Inc. (“Fish Creek”), which it had acquired in 2003. On February 1, 2005, the Corporation filed Articles of Amalgamation to complete a short-form amalgamation with its wholly-owned subsidiary, Tercero Energy Inc. (“Tercero”) which it acquired in 2004. On November 30, 2009, a subsidiary of the Corporation amalgamated with Fairmount Energy Inc. (“Fairmount”) with the resulting entity continuing under the name Fairmount Energy Inc. On December 31, 2009, the Corporation completed two additional amalgamations. The Corporation amalgamated first with Fairmount and subsequently with two wholly-owned subsidiaries which it acquired in connection with the acquisition of Fairmount, FMTSK Energy Inc. and FMT Energy VI Inc.

DTE was incorporated on September 20, 2000 under the ABCA. On October 19, 2000, DTE filed Articles of Amendment to remove the restrictions on share transfers. On December 12, 2001, DTE filed Articles of Amendment to allow, subject to certain conditions, its Board to appoint directors between annual meetings, with such directors serving until the next annual meeting of shareholders.

Rise was incorporated under the ABCA on June 8, 1995 as “657334 Alberta Ltd.” On November 14, 1995, the company amended its Articles of Incorporation by changing its name from 657334 Alberta Ltd. to “Rise Resources Ltd.”. On December 23, 1996, Rise amended its articles by changing its share capital structure to authorize the issuance of an unlimited number of Class A, Class B, Class C, Class D, Class E and Class F shares of Rise with the rights, privileges and restrictions set out in the Articles of Amendment. On August 17, 2001, Rise amalgamated with Red Raven Resources Inc., a company incorporated under the ABCA on September 13, 1996. The common shares of Red Raven Resources Inc. traded on the Canadian Venture Exchange, as the company had previously completed its major transaction under the junior capital pool rules.

The Corporation has its registered office at 2500, 450 – 1st Street S.W., Calgary, Alberta T2P 5H1 and its head and principal office at Suite 300, 500 - 4th Avenue S.W., Calgary, Alberta, T2P 2V6.

Inter-corporate Relationships

As of the date of this AIF the Corporation has a wholly-owned subsidiary, Delphi Energy Ltd., a corporation incorporated under the ABCA. Delphi Energy Corp. and Delphi Energy Ltd. are the partners of Delphi Energy Partnership established on December 30, 2005 under the laws of the Province of Alberta.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

The three year history of the Corporation is as follows:

2011

Equity Financings

On March 24, 2011, the Corporation issued 3,200,000 flow-through common shares in the capital of the Corporation (“Common Shares”) at a price of \$2.80 per share for gross proceeds of \$9.0 million pursuant to a private placement.

On December 23, 2011, the Corporation issued 10,005,000 Common Shares at a price of \$2.20 per share and 2,900,000 flow-through Common Shares at a price of \$2.75 per share for total gross proceeds of \$30.0 million pursuant to a short-form prospectus offering.

Resignation of Senior Officer

On June 17, 2011, Mr. Michael S. Kaluza, Chief Operating Officer, resigned from the Corporation.

2012

Equity Financings

On November 13, 2012, the Corporation issued 17,241,500 Common Shares at a price of \$1.45 per share and 4,571,500 flow-through Common Shares at a price of \$1.75 per share for total gross proceeds of \$33.0 million pursuant to a short-form prospectus offering.

2013

Debt Financing

During the third quarter of 2013, the Corporation issued \$20.0 million of subordinated debt with a maturity date of December 31, 2014. The maturity date of December 31, 2014, may be extended at the option of Delphi for an additional six months, subject to the Corporation being compliant with the financial covenants of the facility. The debt is secured by a \$25.0 million demand floating charge debenture. The subordinated debt has a fixed interest rate of 8.5 percent and a deferred fee of 1.5 percent of the facility is due upon maturity. The subordinated debt was obtained to partially fund the Corporation’s 2013 capital program.

Acquisition of Undeveloped Land

During the first quarter of 2013, Delphi completed a \$13.7 million strategic land acquisition in the centre of its Bigstone Montney acreage. The Corporation acquired 30 gross (26.8 net) sections of Montney rights directly offsetting Delphi existing acreage and producing wells.

NARRATIVE DESCRIPTION OF THE BUSINESS

General

Delphi is a public corporation engaged in the acquisition for and exploration, development and production of crude oil, natural gas and natural gas liquids in western Canada. Delphi's operations are principally concentrated in North West Alberta at Bigstone, Wapiti and Hythe. Delphi's fundamental principles within its growth strategies continue to provide a competitive advantage:

- similar play-types within Delphi's Deep Basin core areas mitigate exploration and operational risks and drive down capital costs and maximize reserve additions;
- large contiguous land positions complete with ownership in strategic infrastructure in each of Delphi's core areas provide repeatable and scalable project inventory with capital and production cost structure advantages;
- robust revenue generating quality of Delphi's NGL production stream and inventory of high liquids content growth opportunities is a natural hedge against natural gas price weakness while maintaining significant exposure to a recovery in natural gas prices;
- Delphi maintains direct control over its core assets, operating over 90 percent of its production and 90 percent of its capital program;
- an active hedging program maintains a forward-looking 12 to 48 month hedge position and provides protection for a defined level of capital spending; and
- financial stability and strength is maintained through prudent capital to cash flow, debt to cash flow and debt to equity ratios.

The Corporation will evaluate both crude oil and natural gas opportunities. Delphi funds its capital program with cash flow from operations, debt financing, proceeds from dispositions and strategic use of new equity when appropriate.

General

Delphi's core operating area is in the Deep Basin of North Western Alberta. The stacked, multi-zone opportunities that contain liquids rich natural gas and oil make it a very active area in the industry. The area is also extensively covered by the infrastructure required to bring hydrocarbon products to market.

Our three core assets: Bigstone, Wapiti and Hythe, are all in the Deep Basin and possess these characteristics.

Bigstone Montney

The liquids-rich Montney development project is located in the Bigstone area of Alberta, 150 kilometres southeast of Grande Prairie. In only the second year of development for Delphi, in an area of the Corporation's landholdings referred to as East Bigstone, the Montney formation has turned into a significant success story with a substantial number of prospective wells yet to be drilled on the play. Gains were achieved in the production performance of the wells including; the field condensate and liquids yield of the production, the decline profile of the production, the reserves assigned to the play, the efficiency of the capital to drill and complete the wells and the landholdings of the Montney in the area.

The key drivers of these gains have been achieved through a combination of the drilling of extended reach horizontal wells, use of 30 stage open hole completion liners and the adoption of slickwater hybrid fracture stimulations in the completion operations of the Corporation's well. The Montney play has resulted in the operational transformation of the Corporation in 2013.

The Corporation's operational transformation in 2013 is evident by the production growth of both the Corporation as a whole and the Corporation's Montney development project at Bigstone over the past twelve months. In March of 2013, Delphi produced approximately 7,000 boe/d in total with the Montney production representing approximately 700 boe/d or ten percent of the production, coming from the four wells drilled in 2012 which were completed with conventional gelled oil fracture stimulations. Twelve months later, the Corporation has grown its production to over 11,000 boe/d with the Montney contributing over 65 percent, or 7,000 boe/d, of that production. All of this increase in the Corporation's total production and Montney production resulted from only seven additional Montney wells which were placed on production in the past twelve months with two more wells which have been drilled and are yet to come on-stream.

The Montney wells drilled in 2012 were completed utilizing conventional gelled oil fracs (20 stages per well) in an extended-reach horizontal length of approximately 3,000 metres. These completions resulted in high initial production rates but due to the tight nature of the Montney formation, high initial declines were experienced leading to lower stabilized rates. To mitigate these high initial decline rates and improve upon the economic viability of the wells, the Corporation's technical team carried out considerable rock mechanics work and designed a new completion technique – the slickwater hybrid frac. The slickwater hybrid frac was designed to create a significantly larger stimulated rock volume (shatter the rock versus creating one large fracture) in the reservoir to lessen the production decline rates of the wells, allowing the reservoir hydrocarbon greater access to the wellbore. Starting in 2013, the Corporation has now completed nine wells utilizing this completion technique with much better results. The new technique (30 stages per well) in an extended-reach horizontal well allows the Corporation to pump at much higher rates utilizing five times as much fluid (water versus light oil) and over twice as much sand for approximately the same total cost but significantly less cost per stage. This approach has also resulted in an increased liquids yield, in particular the productivity of free reservoir condensate.

Production from the Montney formation goes through the Corporation's 100 percent owned compression and dehydration facility located at 7-11-60-23 W5M. The facility was originally constructed in the spring of 2012 with an initial capacity to handle 30 mmcf/d of raw natural gas and designed in a modular fashion to allow for easy expansion to 60 mmcf/d of raw natural gas. In addition to this facility, Delphi constructed tank storage capacity at the same site to handle 3,000 barrels of field condensate recovered at the wellsite before the barrels are transported to sales terminals. With the success enjoyed by the Corporation in 2013 and the early part of 2014 in increasing the Montney natural gas production and field condensate yield, Delphi initiated and has recently completed the first round of expansion of its 7-11 facility. During the winter of 2014, the facility was expanded by adding an additional compressor and dehydrator to a current capacity of 45 mmcf/d of raw natural gas and increasing the field condensate tank storage capacity to 6,000 barrels.

In 2013, Delphi's capital program consisted of drilling six wells in the Montney at East Bigstone and an earning well associated with a 32.5 section farm-in agreement. The six well drilling program was undertaken as a continuous program, having the funding in place to execute, utilizing the same drilling rig and rig personnel for the entire program. Benefitting from the experience gained drilling the same formation well by well, the rig personnel have been able to achieve a 15 day reduction in drilling time, from 45 days to 30 days, resulting in driving down capital costs of the drilling by approximately \$1.5 million per well. In addition, the Corporation has been able to reduce the capital costs of the completion operations through the construction of water cells throughout the East Bigstone area to store, heat and

subsequently pump the water required in the completion operation. With sweet natural gas production in the area from its shallower Cretaceous rights, the Corporation has converted propane heaters to natural gas heaters to heat the water cells through the winter further optimizing the completion operation. As a result of these and other efficiencies developed over the past twelve months, the Corporation has reduced the costs of drilling and completing the wells to \$9.0 to \$9.5 million on a consistent basis.

The success of the capital program and improvements in the production performance of the Montney wells is reflected in the reserves assigned to the Montney development and the increased net asset value of the Corporation. The Montney reserves assigned by GLJ Petroleum Consultants Ltd. ("GLJ"), the Corporation's independent qualified reserves evaluators, in accordance with the requirements of NI 51-101 (as defined below), increased significantly in all reserve categories with total proved reserves increasing from 3.4 million boe at December 31, 2012 to 18.7 million boe at December 31, 2013, an increase of 454 percent, including material growth in the proved developed producing category, a key metric in determining the borrowing base with the Corporation's senior lenders, where reserves increased by 271 percent to 4.4 million boe at December 31, 2013 from 1.2 million boe at December 31, 2012. Proved plus probable reserves increased by 201 percent from 11.0 million boe at December 31, 2012 to 33.1 million boe at December 31, 2013. The price forecasts used by GLJ in calculating the foregoing reserves figures were relatively stable year over year (January 1, 2013 to January 1, 2014), particularly with respect to the natural gas price forecast, which had seen significant year over year downward revisions in the previous two years. From a value perspective, before tax and discounted at ten percent, total proved reserves in the Corporation's Montney lands increased by 765 percent to \$199.4 million at December 31, 2013 and the proved plus probable category increased by 265 percent to \$334.4 million at December 31, 2013, as compared to the previous year end, respectively.

In 2013, Delphi increased its landholdings in the Montney formation at Bigstone significantly through various transactions.

During the year, Delphi completed the earning terms on a 32.5 gross (24.4 net) section farm-in agreement entered into late in 2012. The Corporation completed the earning terms by drilling a stratigraphic test well down to the Duvernay formation, followed by a whipstock drill of a horizontal well into the Montney and subsequent completion of the well.

Levering off the ownership of its strategic sour compression and dehydration facilities, in the first quarter of 2013, the Corporation completed a strategic land acquisition in the centre of its Bigstone acreage from a competitor in the area. The Corporation paid \$13.7 million to acquire 30 gross (26.8 net) sections of Montney rights directly offsetting Delphi's existing acreage and producing wells.

Later in the year, Delphi signed a farm-in with a major oil and gas Corporation in the area for, upon earning, ten gross (ten net) sections of Montney lands, directly east of Delphi's land position at the time. Delphi has since earned a 100 percent working interest on five gross (five net) sections of the farm-in as part of its 2013 capital program. The remaining five gross (five net) sections are expected to be earned with the drilling of a well as part of the Corporation's 2014 capital program. The Corporation reserved the farmor a 3.5 percent non-convertible gross overriding royalty as consideration for the farm-in.

In addition, the Corporation acquired four sections of Montney rights through Crown land sales held throughout the year and two sections from a competitor. As at December 31, 2013, Delphi had grown its landholdings of Montney rights in the Bigstone area to 125 gross (110 net) sections, an increase of 65 percent since the end of the previous year. The majority of the 15 net sections of Montney rights not held by Delphi are held by a joint venture partner.

The Montney development project at Bigstone has transformed the Corporation, from an operations perspective, resulting in significant growth in natural gas production with a mix of high value liquids, primarily free reservoir condensate produced at the wellhead. The improved production performance and production mix has resulted in higher netbacks per boe leading to a reduced time period to payout with top quartile finding and development costs and a strong recycle ratio.

Bigstone Cretaceous

The Bigstone property is located 150 kilometres southeast of the city of Grande Prairie. The sweet natural gas production from the shallower Cretaceous zones at Bigstone was the Corporation's fourth largest producing asset in 2013, contributing an average of 1,020 boe/d, of which 19 percent was oil and natural gas liquids. Important infrastructure ownership in the area for this production includes the Corporation's 25.2 percent working interest in the Bigstone West gas plant with a gross capacity of 85 mmcf/d. The Corporation has an average working interest of 69.5 percent in 37,440 acres of land, of which 14,560 acres (12,044 net) are undeveloped.

The Cretaceous Gething formation at Bigstone offers significant horizontal development potential. The Corporation's successful Gething horizontal well at 12-16-60-23W5 confirms that this formation is more efficiently exploited by using horizontal drilling and multi-frac technology. This development approach is used to access gas and natural gas liquids contained in both the lower permeability and higher permeability sandstone reservoirs. The Corporation has identified 57 undrilled Gething horizontal locations on its lands.

Hythe

The Hythe property is located 60 kilometres northwest of the city of Grande Prairie and was the Corporation's second largest producing asset in 2013, contributing an average of 1,891 boe/d of which 20 percent was oil and natural gas liquids. Important infrastructure ownership includes working interests in three gas plants with a combined gross capacity of over 300 mmcf/d. The Corporation has a working interest of 23.9 percent in the Goodfare gas plant, 4.3 percent in the Knopcik gas plant and 0.1 percent in the Sexsmith gas plant. The Corporation has an average working interest of 67 percent in 165,469 acres of land, of which 91,153 acres (62,986 net) are undeveloped.

In 2013, the Corporation reactivated a vertical Halfway producer at 12-36-71-11W6, which came on stream in Feb 2013. Also, performance from the Corporation's horizontal development program in the Falher formation confirms an inventory of 68 locations currently mapped on existing Delphi lands prospective for the Fahler formation.

The Corporation continues to be encouraged by the performance of its Doe Creek horizontal oil wells. The most recent drill at 11-10-73-12W6, which proved to be the best Doe Creek well the Corporation has drilled, outperformed expectations in 2013 and as a result the Corporation continues to evaluate drilling more of the eight currently identified locations.

The Hythe property offers several additional multiple stacked targets down to depths of 2,400 metres. The primary natural gas horizons in the area are Dunvegan, Notikewin, Falher, Bluesky, Gething and Nikanassin formations, with the oil horizons being primarily the Doe Creek and Dunvegan. Historically, exploitation of all these formations has been through traditional vertical drilling and completions. Significant oil, gas and natural gas liquids remain to be recovered from these tighter sandstone reservoirs and the Corporation continues to develop strategies for application of horizontal drilling and multi-stage frac technologies to accomplish this.

Wapiti

The Wapiti property is located 50 kilometres south of the city of Grande Prairie and was the Corporation's third largest producing asset in 2013, contributing an average of 1,755 boe/d, of which 36 percent was oil and natural gas liquids. The Corporation's important infrastructure ownership includes working interests in three gas plants which includes one with deep cut process. These include a working interest of 0.38 percent in the South Wapiti gas plant, 0.51 percent in the Wapiti Shallow Cut gas plant and 0.92 percent interest in the Wapiti Deep Cut gas plant. These gas plants have a combined processing capacity of 940 mmcf/d. The Corporation has an average working interest of 58 percent in 60,004 acres of land, of which 31,844 acres (21,585 net) are undeveloped.

It is expected that gas from the multi-zone Cretaceous and Jurassic intervals will continue to be sold at premium prices versus the AECO Benchmark price. Wapiti is expected to be a growth area with a drilling inventory of over 48 identified net multi-zone locations. The Corporation is evaluating the potential for drilling horizontal wells with multi-stage fracturing to further enhance the already robust economics of these liquid rich intervals.

The Corporation's portfolio of strategic infrastructure, including Delphi owned and operated compression and gathering systems, allows for optimization, control of costs and, most importantly, dedicated and dependable service which is paramount in maintaining profitability.

Employees

The Corporation employs or retains the services of 36 individuals (including personnel hired on a contract basis) at its head office in Calgary, Alberta. In addition, Delphi also retains the services of 21 individuals in field operations in various locations in Alberta and British Columbia.

Specialized Skill and Knowledge

The Corporation's business requires the application of extremely high levels of technical skill in the areas of geology, geophysics and reservoir engineering, well drilling and completions and well production operations. Delphi has assembled a team of skilled technical experts who provide the technical skills required to succeed in its business. See "Risk Factors – Reliance on Key Personnel".

Cycles

The oil and natural gas business is cyclical. Oil and natural gas prices fluctuate with global demand for oil, which is dependent on a number of factors, including the health of the global economy and political conditions locally, nationally and internationally. In addition, the oil and natural gas industry in Alberta is influenced by seasonal weather patterns. A mild winter or wet spring may result in limited access to drilling sites and related facilities and hence, may result in the reduction or suspension of operations. Unpredictable weather can also cause delays in implementing and completing field projects. Municipalities and provincial transportation departments enforce road bans that restrict the movement of drilling rigs and other heavy equipment during periods of wet weather, thereby reducing activity levels. Also, certain oil and natural gas producing areas are located in areas that are inaccessible other than during the winter months because of the swampy terrain surrounding these sites. Seasonal interruptions in drilling and construction operations do occur but are expected and accounted for in the budgeting and forecasting process.

Competitive Conditions

Delphi competes for reserve acquisitions, exploration leases, licences and concessions and skilled industry personnel with a substantial number of other oil and natural gas companies, many of which have significantly greater financial resources than Delphi. The Corporation's competitors include major integrated oil and natural gas companies and numerous other independent oil and natural gas companies and individual producers and operators.

Some of Delphi's customers and potential customers are themselves exploring for oil and natural gas, and the results of such exploration efforts could affect the Corporation's ability to sell or supply oil and/or natural gas to these customers in the future. Delphi's ability to successfully bid on and acquire additional property rights, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with its future industry partners and joint operators and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment. Alberta provincial land sales are a competitive bid process and the Corporation assesses its interpretation of the value of such lands and then submits a bid. Field equipment availability is competitive and the Corporation continues to gain access to it through prior agreements and contacts.

Hiring and retaining technical and administrative personnel continues to be a competitive process. To meet this challenge, the Corporation rewards existing employees and provides opportunities for new staff to participate in the equity of the Corporation.

Seasonal Considerations

Certain properties in Northern Alberta are accessible only during winter months. The majority of Delphi's properties are accessible year round, except during spring break-up. Major facilities through which Delphi's production is processed may temporarily be shut down for a short period of time during the year to conduct repair and maintenance operations.

Environmental Protection

Delphi is subject to a range of environmental regulations, as are its competitors in the oil and natural gas industry. The Corporation has also adopted a corporate procedures manual that provides employees with detailed instructions on how they are to fulfill their responsibilities at an operational level (e.g. procedures to follow in the event of a spill).

As the environmental regulations applicable to the Corporation are also applicable to its competitors, environmental protection did not affect the competitive position of the Corporation in 2013, nor did the Corporation incur any material environmental protection or regulatory costs out of the ordinary course of business in 2013.

Oil and Gas Activities

National Instrument 51-101 “Standards of Disclosure for Oil and Gas Activities” (“NI 51-101”) establishes a standard of disclosure for all Canadian reporting issuers in upstream oil and natural gas activities and reserves definitions for proved and probable reserves categories. The reserves disclosure presented below conforms to the requirements of NI 51-101. All of the Corporation's reserves are in western Canada and specifically in the provinces of Alberta and British Columbia.

The Corporation engaged GLJ, independent qualified reserves evaluators, to evaluate and report on 100 percent of the Corporation's proved and proved plus probable reserves. The crude oil, natural gas and natural gas liquids reserves of the Corporation were evaluated by GLJ, with an effective date of December 31, 2013 in a report dated March 5, 2014 (the “GLJ Report”).

NI 51-101 reports of GLJ, and of the management of Delphi respecting the following reserves data can be found in Appendix “A” and Appendix “B”, respectively.

Definitions, abbreviations, notes and conversions used throughout the following tables can be found in Appendix “C”.

The use of the boe unit of measurement may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf of natural gas to 1 barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. The estimated future net revenue contained in the following tables does not represent the fair market value of reserves associated with Delphi's assets and properties. Tables may not add due to rounding.

Reserves Data (Forecast Prices and Costs)

Reserves Summary

| | Light & Medium Oil (mmbbls) | | Natural Gas (mmcf) | | Natural Gas Liquids (mmbbls) | | BOE (6:1) (mboe) | |
|--|--------------------------------|--------------------|-----------------------|--------------------|---------------------------------|--------------------|----------------------|--------------------|
| | Gross ⁽¹⁾ | Net ⁽²⁾ | Gross ⁽¹⁾ | Net ⁽²⁾ | Gross ⁽¹⁾ | Net ⁽²⁾ | Gross ⁽¹⁾ | Net ⁽²⁾ |
| Proved ⁽³⁾⁽⁶⁾ | | | | | | | | |
| Developed producing ⁽⁴⁾ | 394 | 272 | 67,841 | 58,260 | 3,194 | 2,244 | 14,895 | 12,226 |
| Developed non-producing ⁽⁴⁾ | - | - | 8,976 | 8,179 | 411 | 326 | 1,907 | 1,689 |
| Undeveloped ⁽⁵⁾ | 171 | 135 | 80,059 | 73,088 | 5,777 | 4,516 | 19,291 | 16,832 |
| Total proved | 565 | 407 | 156,876 | 139,527 | 9,382 | 7,086 | 36,094 | 30,747 |
| Probable ⁽³⁾⁽⁶⁾ | 287 | 205 | 112,228 | 100,818 | 6,515 | 4,757 | 25,507 | 21,765 |
| Total proved plus probable | 853 | 612 | 269,104 | 240,345 | 15,897 | 11,843 | 61,600 | 52,513 |

Net Present Value of Future Net Revenue Summary

| | Before Income Taxes Discounted at | | | | | Unit Value Before Income Tax Discounted at 10% | |
|--|--------------------------------------|------------|------------|------------|------------|---|--------|
| | 0% | 5% | 10% | 15% | 20% | \$/boe | \$/mcf |
| | (\$ 000's) | (\$ 000's) | (\$ 000's) | (\$ 000's) | (\$ 000's) | | |
| Proved ⁽³⁾⁽⁶⁾ | | | | | | | |
| Developed producing ⁽⁴⁾ | 268,323 | 221,195 | 189,970 | 167,750 | 151,082 | 15.54 | 2.59 |
| Developed non-producing ⁽⁴⁾ | 35,403 | 24,996 | 18,879 | 14,927 | 12,184 | 11.18 | 1.86 |
| Undeveloped ⁽⁵⁾ | 384,707 | 247,324 | 170,244 | 122,502 | 90,666 | 10.11 | 1.69 |
| Total proved | 688,433 | 493,515 | 379,093 | 305,179 | 253,931 | 12.33 | 2.05 |
| Probable ⁽³⁾⁽⁶⁾ | 606,675 | 325,071 | 204,832 | 142,881 | 106,413 | 9.41 | 1.57 |
| Total proved plus probable | 1,295,108 | 818,586 | 583,925 | 448,060 | 360,345 | 11.12 | 1.85 |

| | After Income Taxes Discounted at | | | | |
|--|-------------------------------------|------------|------------|------------|------------|
| | 0% | 5% | 10% | 15% | 20% |
| | (\$ 000's) | (\$ 000's) | (\$ 000's) | (\$ 000's) | (\$ 000's) |
| Proved ⁽³⁾⁽⁶⁾ | | | | | |
| Developed producing ⁽⁴⁾ | 268,323 | 221,195 | 189,970 | 167,750 | 151,082 |
| Developed non-producing ⁽⁴⁾ | 35,403 | 24,996 | 18,879 | 14,927 | 12,184 |
| Undeveloped ⁽⁵⁾ | 300,350 | 195,311 | 135,417 | 97,731 | 72,246 |
| Total proved | 604,076 | 441,502 | 344,266 | 280,408 | 235,511 |
| Probable ⁽³⁾⁽⁶⁾ | 454,960 | 241,493 | 150,323 | 103,494 | 76,106 |
| Total proved plus probable | 1,059,036 | 682,995 | 494,589 | 383,902 | 311,617 |

Breakdown of Future Net Revenue (Undiscounted)

| | Revenue | Royalties ⁽⁸⁾ | Operating Costs | Capital Development Costs | Well Abandonment Costs | Future Net Revenue Before Income Taxes | Income Taxes ⁽⁹⁾ | Future Net Revenue After Income Taxes |
|--|------------|--------------------------|-----------------|---------------------------|------------------------|--|-----------------------------|---------------------------------------|
| | (\$ 000's) | (\$ 000's) | (\$ 000's) | (\$ 000's) | (\$ 000's) | (\$ 000's) | (\$ 000's) | (\$ 000's) |
| Proved ⁽³⁾⁽⁶⁾ | | | | | | | | |
| Developed producing ⁽⁴⁾ | 618,693 | 98,557 | 239,668 | 5,367 | 6,778 | 268,323 | - | 268,323 |
| Developed non-producing ⁽⁴⁾ | 74,691 | 7,764 | 23,128 | 7,535 | 860 | 35,403 | - | 35,403 |
| Undeveloped ⁽⁵⁾ | 879,326 | 126,478 | 174,526 | 191,512 | 2,103 | 384,707 | 84,357 | 300,350 |
| Total proved | 1,572,709 | 232,800 | 437,322 | 204,414 | 9,741 | 688,433 | 84,357 | 604,076 |
| Probable ⁽³⁾⁽⁶⁾ | 1,265,825 | 209,248 | 329,404 | 117,495 | 3,003 | 606,675 | 151,715 | 454,960 |
| Total proved plus probable | 2,838,535 | 442,048 | 766,726 | 321,909 | 12,744 | 1,295,108 | 236,072 | 1,059,036 |

Future Net Revenue by Production Group

| Reserve Category | Production Group | Future Net Revenue Before Income Taxes (discounted at 10%) | | |
|----------------------------|--------------------|---|--------------|-------------|
| | | (\$ 000's) | \$/boe | \$/mcfe |
| Proved Producing | Light & medium oil | 15,760 | 31.98 | 5.33 |
| | Natural gas | 174,210 | 14.85 | 2.47 |
| | TOTAL | 189,970 | 15.54 | 2.59 |
| Total Proved | Light & medium oil | 17,191 | 24.41 | 4.07 |
| | Natural gas | 361,901 | 12.05 | 2.01 |
| | TOTAL | 379,093 | 12.33 | 2.05 |
| Total Proved Plus Probable | Light & medium oil | 23,763 | 22.39 | 3.73 |
| | Natural gas | 560,162 | 10.89 | 1.81 |
| | TOTAL | 583,925 | 11.12 | 1.85 |

Summary of Pricing Assumptions

This summary table identifies the benchmark reference pricing provided by GLJ, Delphi's independent qualified reserves evaluators, and used in the evaluation of the Corporation's reserves.

| Pricing assumptions | Light and Medium Oil | | | Heavy Oil | Natural Gas Liquids | | | Natural Gas | Inflation Rate | Exchange Rate |
|---------------------|---|---------------------------------------|----------------------------------|-----------------------------------|------------------------------|-----------------------------|------------------------------------|---------------------------------|----------------|---------------|
| | West Texas Intermediate Cushing Oklahoma (US\$/bbl) | Edmonton Par Price 40 API (Cdn\$/bbl) | Cromer Medium 29 API (Cdn\$/bbl) | Hardisty Heavy 12 API (Cdn\$/bbl) | Edmonton Propane (Cdn\$/bbl) | Edmonton Butane (Cdn\$/bbl) | Edmonton Pentanes Plus (Cdn\$/bbl) | AECO-C spot price (Cdn\$/mmbtu) | %/year | \$US/\$Cdn |
| Historical | | | | | | | | | | |
| 2006 | 66.22 | 73.21 | 62.26 | 41.84 | 43.85 | 60.17 | 75.41 | 6.71 | 2.0 | 0.882 |
| 2007 | 72.39 | 77.06 | 65.71 | 43.42 | 49.56 | 61.78 | 77.38 | 6.59 | 2.2 | 0.935 |
| 2008 | 99.64 | 102.89 | 93.10 | 74.94 | 58.38 | 75.33 | 104.78 | 8.25 | 2.4 | 0.943 |
| 2009 | 61.78 | 66.32 | 62.96 | 54.46 | 38.03 | 48.17 | 68.17 | 4.16 | 0.4 | 0.880 |
| 2010 | 79.52 | 77.87 | 73.76 | 60.76 | 46.84 | 65.91 | 84.27 | 4.03 | 1.8 | 0.971 |
| 2011 | 95.12 | 95.53 | 88.33 | 67.64 | 53.66 | 74.42 | 104.17 | 3.62 | 2.9 | 1.012 |
| 2012 | 94.21 | 86.60 | 81.38 | 63.65 | 29.04 | 66.70 | 100.84 | 2.44 | 1.5 | 1.001 |
| 2013 | 97.88 | 93.33 | 88.05 | 65.07 | 66.70 | 68.65 | 104.40 | 3.24 | 1.0 | 0.971 |
| Forecast | | | | | | | | | | |
| 2014 | 97.50 | 92.76 | 86.27 | 65.72 | 57.83 | 73.22 | 105.20 | 4.03 | 2.0 | 0.950 |
| 2015 | 97.50 | 97.37 | 90.55 | 70.03 | 58.42 | 75.95 | 107.11 | 4.26 | 2.0 | 0.950 |
| 2016 | 97.50 | 100.00 | 93.00 | 72.85 | 60.00 | 78.00 | 107.00 | 4.50 | 2.0 | 0.950 |
| 2017 | 97.50 | 100.00 | 93.00 | 72.85 | 60.00 | 78.00 | 107.00 | 4.74 | 2.0 | 0.950 |
| 2018 | 97.50 | 100.00 | 93.00 | 72.85 | 60.00 | 78.00 | 107.00 | 4.97 | 2.0 | 0.950 |
| 2019 | 97.50 | 100.00 | 93.00 | 72.85 | 60.00 | 78.00 | 107.00 | 5.21 | 2.0 | 0.950 |
| 2020 | 98.54 | 100.77 | 93.71 | 73.42 | 60.46 | 78.60 | 107.82 | 5.33 | 2.0 | 0.950 |
| 2021 | 100.51 | 102.78 | 95.58 | 74.90 | 61.67 | 80.17 | 109.97 | 5.44 | 2.0 | 0.950 |
| 2022 | 102.52 | 104.83 | 97.49 | 76.42 | 62.90 | 81.77 | 112.17 | 5.55 | 2.0 | 0.950 |
| 2023 | 104.57 | 106.93 | 99.44 | 77.97 | 64.16 | 83.40 | 114.41 | 5.66 | 2.0 | 0.950 |
| 2024+ | 2.0%/yr. | 2.0%/yr. | 2.0%/yr. | 2.0%/yr. | 2.0%/yr. | 2.0%/yr. | 2.0%/yr. | 2.0%/yr. | 2.0 | 0.950 |

The Corporation received the following weighted average prices in 2013, including gains and losses on financial and physical commodity price contracts.

| Light & medium oil (\$/bbl) | Natural gas (\$/mcf) | Natural gas liquids (\$/bbl) | Total (\$/boe) |
|-----------------------------|----------------------|------------------------------|----------------|
| 84.73 | 3.61 | 62.99 | 33.61 |

Reconciliation of Corporation's Gross ⁽¹⁾ Reserves Using Forecast Prices and Costs

| | Light & Medium Oil (mbls) | | | Natural Gas (mmcf) | | | Natural Gas Liquids (mbbls) | | | BOE (mboe) | | |
|----------------------------------|---------------------------|----------|-------------|--------------------|----------|-------------|-----------------------------|----------|-------------|------------|----------|-------------|
| | Proved | Probable | Proved Plus | Proved | Probable | Proved Plus | Proved | Probable | Proved Plus | Proved | Probable | Proved Plus |
| | | | Probable | | | Probable | | | Probable | | | |
| December 31, 2012 | 691 | 326 | 1,017 | 109,035 | 86,333 | 195,368 | 4,874 | 4,536 | 9,410 | 23,738 | 19,250 | 42,988 |
| Extensions and Improved Recovery | - | - | - | 56,392 | 21,726 | 78,118 | 4,471 | 1,462 | 5,933 | 13,869 | 5,083 | 18,952 |
| Technical revisions | (13) | (39) | (51) | 4,714 | 4,576 | 9,290 | 751 | 529 | 1,280 | 1,525 | 1,252 | 2,777 |
| Dispositions | - | - | - | (19) | (4) | (23) | (1) | - | (2) | (5) | - | (5) |
| Economic factors | - | - | - | (117) | (403) | (521) | (14) | (12) | (26) | (34) | (79) | (113) |
| Production | (113) | | (113) | (13,128) | - | (13,128) | (698) | - | (698) | (2,999) | - | (2,999) |
| December 31, 2013 | 565 | 287 | 853 | 156,876 | 112,228 | 269,104 | 9,382 | 6,515 | 15,897 | 36,094 | 25,507 | 61,600 |

Additional Information Relating to Reserves Data

Undeveloped Reserves ⁽⁵⁾

Proved and Probable Undeveloped Reserves

The following table sets forth the volumes of proved undeveloped and probable undeveloped reserves that were first attributed to each product type in each of the most recent three financial years and in aggregate before that time:

| Product Type | Units | Prior | 2011 | 2012 | 2013 |
|----------------------|-------|--------|--------|--------|--------|
| Proved Undeveloped | | | | | |
| Light & medium oil | Mbbl | 587 | 70 | - | - |
| Natural gas | Mmcf | 26,483 | 14,496 | 15,441 | 30,824 |
| Natural gas liquids | Mbbl | 920 | 910 | 1,297 | 2,378 |
| Total | Mboe | 5,921 | 3,396 | 3,871 | 7,515 |
| Probable Undeveloped | | | | | |
| Light & medium oil | Mbbl | 446 | 25 | - | - |
| Natural gas | Mmcf | 28,302 | 21,103 | 32,793 | 35,537 |
| Natural gas liquids | Mbbl | 573 | 1,021 | 2,340 | 2,594 |
| Total | Mboe | 5,736 | 4,563 | 7,806 | 8,517 |

The Corporation's proved and probable undeveloped reserves are attributed to drilling locations, recompletions and tie-ins that are anticipated to proceed in the near term. The capital program in the first quarter of 2014 primarily included the development of locations included in the GLJ Report. The Corporation's proved and probable undeveloped reserves are forecast to be developed during the next several years in accordance with the Corporation's development program and cash flows set out in the reserve report. Over the next two years, the Corporation will focus development on its proved reserves.

Significant Factors or Uncertainties

The process of evaluating reserves is complex and requires significant judgments and decisions based upon a number of variable factors and assumptions, such as commodity prices, projected production from the properties, the assumed effects of regulation by government agencies and future operating costs. All

of these estimates may vary from actual results. The reserve estimates contained in this “Oil & Gas Activities” section are based on current production forecasts, prices and economic conditions. Estimates of the recoverable oil and natural gas reserves attributable to any particular group of properties, classifications of such reserves based on risk of recovery and estimates of future net revenues expected therefrom, may vary. The Corporation's actual production, revenues, taxes, development and operating expenditures with respect to its reserves may vary from such estimates and such variances could be material.

Future Development Costs

| (\$ 000's) | Forecast Prices and Costs ⁽⁷⁾ | |
|--|--|-------------------------------|
| | Proved Reserves | Proved Plus Probable Reserves |
| 2014 | 63,228 | 63,204 |
| 2015 | 79,222 | 88,883 |
| 2016 | 40,804 | 113,606 |
| 2017 | 12,639 | 18,561 |
| 2018 | 2,868 | 30,302 |
| Remainder | 5,653 | 7,353 |
| Total for all years undiscounted | 204,414 | 321,909 |
| Total for all years discounted at 10% per year | 174,062 | 262,536 |

The future development costs are capital costs required in the future for Delphi to convert proved undeveloped reserves and probable reserves into proved developed producing reserves. On an on-going basis Delphi typically uses its internally generated cash flow, proceeds from dispositions, available credit facilities and new equity financings, if available on favourable terms, to fund requirements for future development required to develop the proved or the proved plus probable reserves.

Other Oil and Gas Information

For a description of Delphi’s important oil and gas properties and facilities, see “Narrative Description of the Business – Areas of Operations” above.

Oil and Gas Properties and Wells

The following table sets forth the number and status of wells in which Delphi had a working interest as at December 31, 2013. All but several of the non-producing wells were at one time producing or abandoned. Delphi has title to its net working interest in all wells and is not subject to any change in ownership as a consequence of any current contract or agreement.

| | Producing Wells | | | | Non-Producing Wells | | | |
|------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|
| | Oil | | Gas | | Oil | | Gas | |
| | Gross ⁽¹⁾ | Net ⁽²⁾ | Gross ⁽¹⁾ | Net ⁽²⁾ | Gross ⁽¹⁾ | Net ⁽²⁾ | Gross ⁽¹⁾ | Net ⁽²⁾ |
| Alberta | 23 | 16 | 279 | 157 | 7 | 3 | 190 | 101 |
| British Columbia | - | - | 10 | 4 | - | - | 29 | 19 |

Properties with No Attributed Reserves

The following table sets forth the Corporation's undeveloped land holdings as at December 31, 2013.

| (Acres) | Undeveloped | |
|------------------|----------------------|--------------------|
| | Gross ⁽¹⁾ | Net ⁽²⁾ |
| Alberta | 293,379 | 202,230 |
| British Columbia | 39,623 | 17,648 |
| Total | 333,002 | 219,878 |

During 2014, approximately 51,457 net acres of the Corporation's undeveloped land is set to expire, however, a portion of these lands can be continued by proving production capability. None of the above properties are subject to any work commitments.

Additional Information Concerning Abandonment and Reclamation Costs

The Corporation estimates the costs associated with abandonment and reclamation costs for surface leases, wells and facilities based on previous experience, third parties or by estimating such costs, consistent with Directive 11 of the Alberta Energy Regulator. The Corporation estimates the undiscounted future abandonment and reclamation costs for its wells, facilities and pipelines to be \$72.8 million, estimated to be settled over the next 64 years. The Corporation's estimate of future abandonment and reclamation costs discounted at 10 percent is \$18.5 million. The following table discloses the abandonment costs for wells with reserves of Delphi estimated at December 31, 2013 calculated both undiscounted and at a 10% discount rate with a portion thereof anticipated to be paid in each of the next six years. The abandonment and reclamation costs of the Corporation, not deducted in the reserves data in determining future net revenue, are estimated to be approximately \$60.1 million at December 31, 2013 and salvage value is estimated to be \$5.2 million. The Corporation currently anticipates incurring abandonment and reclamation costs on 383 net wells. The Corporation estimates it will incur abandonment and reclamation costs of approximately \$0.4 to \$1.3 million in the next three financial years.

Abandonment Costs for Wells with Reserves

| (\$ thousands) | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Remainder | Total | Discounted at 10% |
|----------------------------|------|------|------|------|------|------|-----------|--------|-------------------|
| Proved producing | 553 | 182 | 435 | 312 | 366 | 409 | 4,521 | 6,778 | 3,108 |
| Total proved | 568 | 245 | 342 | 348 | 408 | 456 | 7,374 | 9,741 | 3,589 |
| Total proved plus probable | 455 | 212 | 309 | 232 | 214 | 200 | 11,122 | 12,744 | 3,153 |

Tax Horizon

The income taxes deducted in the calculation of future net revenue assume a blow down scenario whereby the Corporation produces out its existing reserves. Under this scenario Delphi would pay taxes in 2017.

The Corporation forecasts its tax horizon assuming reinvestment of cash flow to achieve production and reserve growth. The Corporation does not expect to be required to pay income taxes for the 2014 financial year. The Corporation does not anticipate becoming cash taxable before 2017.

Costs Incurred

During 2013, the Corporation incurred the following costs in Canada:

| | 2013 (\$ 000's) |
|--|--------------------|
| Property and acquisition costs – Unproved properties | 12,477 |
| Property and acquisition costs – Proved properties | 1,529 |
| Exploration costs ⁽¹³⁾ | 110 |
| Development costs ⁽¹¹⁾ | 71,504 |

Exploration and Development Activities

The following table sets forth the number of exploratory and development wells in which Delphi participated which were completed during the year ended December 31, 2013:

| | <u>Exploratory Wells⁽¹²⁾</u> | | <u>Development Wells⁽¹⁰⁾</u> | |
|-------------------|---|--------------------------|---|--------------------------|
| | <u>Gross⁽¹⁾</u> | <u>Net⁽²⁾</u> | <u>Gross⁽¹⁾</u> | <u>Net⁽²⁾</u> |
| Natural gas wells | 1.0 | 0.8 | 5.0 | 4.9 |
| Total wells | 1.0 | 0.8 | 5.0 | 4.9 |

Delphi's capital program is currently focused on the development of its inventory of opportunities at Bigstone in the Montney formation.

Production Estimates

The following table sets forth the volume of daily gross production estimated for the year 2014 in the reserves forecast for proved and proved plus probable reserves.

| Proved | Light & medium oil (bbls/d) | Natural gas (mcf/d) | Natural gas liquids (bbls/d) | BOE/d |
|---------------|--|--------------------------------|---|--------------|
| Bigstone | - | 26,388 | 2,018 | 6,416 |
| Wapiti | - | 5,413 | 490 | 1,392 |
| Hythe | 235 | 9,001 | 73 | 1,808 |
| Other | 25 | 3,712 | 24 | 668 |
| Total Proved | 260 | 44,514 | 2,605 | 10,284 |

Probable

| | Light & medium oil (bbls/d) | Natural gas (mcf/d) | Natural gas liquids (bbls/d) | BOE/d |
|-----------------------|--|----------------------------|-------------------------------------|--------------|
| Bigstone | - | 2,904 | 191 | 675 |
| Wapiti | - | 119 | 11 | 31 |
| Hythe | 14 | 347 | 3 | 75 |
| Other | 1 | 74 | - | 14 |
| Total Probable | 15 | 3,444 | 205 | 795 |

Proved plus Probable

| | Light & medium oil (bbls/d) | Natural gas (mcf/d) | Natural gas liquids (bbls/d) | BOE/d |
|-----------------------------------|--|----------------------------|-------------------------------------|---------------|
| Bigstone | - | 29,292 | 2,209 | 7,091 |
| Wapiti | - | 5,533 | 501 | 1,423 |
| Hythe | 249 | 9,348 | 76 | 1,883 |
| Other | 26 | 3,785 | 24 | 681 |
| Total Proved plus Probable | 275 | 47,958 | 2,810 | 11,078 |

Production History

Delphi's 2013 average gross daily production, before deduction of royalties, is summarized below:

| Average Daily Production | Q1 | Q2 | Q3 | Q4 |
|---------------------------------|--------------|--------------|--------------|--------------|
| Light & medium oil (bbls/d) | 318 | 311 | 330 | 282 |
| Natural gas (mcf/d) | 33,574 | 33,189 | 38,807 | 38,761 |
| Natural gas liquids (bbls/d) | 1,606 | 1,792 | 1,999 | 2,246 |
| Total (boe/d) | 7,520 | 7,635 | 8,797 | 8,988 |

Delphi's 2013 share of average gross daily production, before deduction of royalties from Bigstone, is summarized below:

| Average Daily Production | Q1 | Q2 | Q3 | Q4 |
|---------------------------------|--------------|--------------|--------------|--------------|
| Light & medium oil (bbls/d) | - | - | - | - |
| Natural gas (mcf/d) | 11,608 | 13,603 | 17,847 | 19,904 |
| Natural gas liquids (bbls/d) | 775 | 1,071 | 1,451 | 1,608 |
| Total (boe/d) | 2,710 | 3,338 | 4,426 | 4,925 |

Delphi's 2013 share of average gross daily production, before deduction of royalties from Wapiti, is summarized below:

| Average Daily Production | Q1 | Q2 | Q3 | Q4 |
|---------------------------------|-----------|-----------|-----------|-----------|
| Light & medium oil (bbls/d) | - | 1 | - | 2 |
| Natural gas (mcf/d) | 8,253 | 6,624 | 7,143 | 6,438 |
| Natural gas liquids (bbls/d) | 755 | 634 | 477 | 547 |
| Total (boe/d) | 2,131 | 1,739 | 1,668 | 1,622 |

Delphi's 2013 share of average gross daily production, before deduction of royalties from Hythe, is summarized below:

| Average Daily Production | Q1 | Q2 | Q3 | Q4 |
|---------------------------------|-----------|-----------|-----------|-----------|
| Light & medium oil (bbls/d) | 299 | 303 | 309 | 259 |
| Natural gas (mcf/d) | 10,444 | 9,554 | 10,233 | 9,013 |
| Natural gas liquids (bbls/d) | 90 | 83 | 88 | 94 |
| Total (boe/d) | 2,130 | 1,978 | 2,102 | 1,855 |

Netback By Product

The following table sets forth information in respect of quarterly average net product prices received, royalties paid, operating expenses and operating netbacks by product for the year ended December 31, 2013.

| | Light & Medium Oil (\$/bbl) | | | |
|-------------------------|--|-----------|-----------|-----------|
| | Q1 | Q2 | Q3 | Q4 |
| Average prices received | 85.67 | 89.71 | 101.56 | 83.91 |
| Royalties | (37.42) | (38.74) | (43.49) | (34.64) |
| Operating expenses | (6.75) | (12.56) | (8.73) | (11.59) |
| Transportation | (0.69) | (2.80) | (2.25) | (3.12) |
| Netback | 40.81 | 35.61 | 47.09 | 34.56 |
| | Natural Gas (\$/mcf) | | | |
| | Q1 | Q2 | Q3 | Q4 |
| Average prices received | 3.54 | 3.89 | 2.82 | 3.86 |
| Royalties | (0.07) | - | 0.07 | (0.26) |
| Operating expenses | (1.50) | (1.80) | (2.04) | (1.99) |
| Transportation | (0.54) | (0.82) | (0.68) | (0.64) |
| Netback | 1.43 | 1.27 | 0.17 | 0.97 |
| | Natural Gas Liquids (\$/bbl) | | | |
| | Q1 | Q2 | Q3 | Q4 |
| Average prices received | 59.37 | 57.72 | 64.71 | 66.36 |
| Royalties | (12.69) | (8.51) | (10.76) | (13.18) |
| Operating expenses | - | - | - | - |
| Transportation | (1.73) | (4.16) | (2.18) | (1.31) |
| Netback | 44.95 | 45.05 | 51.77 | 51.87 |

Product Sales Revenues

The only significant products produced and sold by the Corporation are natural gas, light and medium oil and natural gas liquids. Virtually all of these products are sold on a short term basis that is a function of current market prices. None of the Corporation's products are sold to non-arm's length parties. The following table summarizes the Corporation's revenues in 2012 and 2013 by product type.

| Product (\$ 000 's) | 2013 | 2012 |
|----------------------------|-------------|-------------|
| Natural gas | 46,262 | 35,916 |
| Light and medium oil | 10,258 | 22,012 |
| Natural gas liquids | 43,619 | 24,961 |

DIVIDENDS

The Corporation has not declared or paid any dividends on any of its shares since its formation on June 19, 2003, nor did DTE or Rise pay any dividends on their respective shares at any time prior thereto. The Corporation does not intend to pay dividends in the near future as future earnings will be retained to finance further expansion of business and operations. Any decision to pay dividends on any class of shares will be made by the board of directors on the basis of earnings, financial requirements and other conditions existing at such future time. The credit facilities of the Corporation also restrict its ability to pay dividends.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

The holders of the Common Shares are entitled to one vote per share at meetings of shareholders, to receive such dividends as declared by the Corporation and to receive the remaining property and assets of the Corporation upon dissolution or winding up of the Corporation. The Common Shares are not subject to any future call or assessment and there are no pre-emptive, conversion or redemption rights attached to such shares. An unlimited number of voting Common Shares, without par value, have been authorized, of which 153,253,548 Common Shares were outstanding at December 31, 2013.

Preferred Shares

An unlimited number of preferred shares issuable have also been authorized in series of which none are outstanding.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares of the Corporation are listed and posted for trading on the Toronto Stock Exchange (“TSX”) under the trading symbol “DEE”. The following table sets forth the market price ranges and the aggregate volume of trading of the Common Shares on the TSX for the periods indicated:

| <u>Period</u> | <u>High (\$)</u> | <u>Low (\$)</u> | <u>Close (\$)</u> | <u>Volume</u> |
|-----------------|----------------------|---------------------|-----------------------|---------------|
| 2013 | | | | |
| January | 1.19 | 0.95 | 1.12 | 7,496,889 |
| February | 1.19 | 1.01 | 1.06 | 3,210,502 |
| March | 1.21 | 0.99 | 1.21 | 4,518,542 |
| April | 1.39 | 1.06 | 1.33 | 10,373,543 |
| May | 1.42 | 1.28 | 1.39 | 4,144,019 |
| June | 1.45 | 1.22 | 1.28 | 5,852,376 |
| July | 1.76 | 1.30 | 1.70 | 8,191,337 |
| August | 1.73 | 1.36 | 1.45 | 5,259,583 |
| September | 1.67 | 1.47 | 1.60 | 3,606,997 |
| October | 1.70 | 1.53 | 1.62 | 5,401,073 |
| November | 1.65 | 1.30 | 1.61 | 13,530,746 |
| December | 1.97 | 1.53 | 1.94 | 15,584,815 |

DIRECTORS AND OFFICERS

Name, Occupation and Security Holdings

The names, province and country of residence, positions with the Corporation and the principal occupations of the directors and officers of the Corporation during the past five years are set out below.

| <u>Name and Municipality of Residence</u> | <u>Office or Position with the Corporation</u> | <u>Present and Principal Occupation During the Last Five Years</u> |
|--|--|---|
| David J. Reid Alberta, Canada | Director, President, Chief Executive Officer since June 2003; prior thereto a director of DTE since September 2000. | President and Chief Executive Officer of Delphi since June 19, 2003; President and Treasurer of DTE since September 20, 2000. |
| Tony Angelidis Alberta, Canada | Director and Senior Vice President, Exploration since June 2003; prior thereto a director of DTE since September 2000. | Senior Vice President, Exploration of Delphi since June 19, 2003; Vice President and Secretary of DTE since September 2000. |
| Robert A. Lehodey, Q.C. ⁽²⁾⁽³⁾ Alberta, Canada | Director since June 2003; prior thereto a director of DTE since September 2000. | Partner with the law firm Osler, Hoskin & Harcourt LLP since March 2006. |
| Harry S. Campbell, Q.C. ⁽²⁾ Alberta, Canada | Director since June 2003; prior thereto a director of DTE since December 2000. | Chairman of the law firm Burnet, Duckworth & Palmer LLP from 2012; prior thereto Vice Chairman and Managing Partner of the law firm Burnet, Duckworth & Palmer LLP from 1995. |

| Name and Municipality of Residence | Office or Position with the Corporation | Present and Principal Occupation During the Last Five Years |
|--|---|---|
| Lamont C. Tolley ⁽¹⁾⁽³⁾ Alberta, Canada | Director since June 2003; prior thereto a director of DTE since December 2000. | Independent businessman since 1999. |
| Andrew E. Osis ⁽¹⁾⁽²⁾ Alberta, Canada | Director since May 2005. | Independent businessman since 2012; prior thereto Chief Executive Officer and Director of Poynt Corporation (formerly Multiplied Media Corporation) since September 2008; prior thereto Chief Financial Officer and Director of Multiplied Media Corporation (formerly Z28 Capital Corp.), a TSX Venture company; prior thereto Vice President, Global Banking of RBC Dominion Securities from 1999 through 2001. |
| Stephen W. C. Mulherin ⁽¹⁾ Alberta, Canada | Director since March 2010. | Partner and Vice President at Polar Capital Corporation since 1997 and Chairman of Veresen Inc. since May 2011. |
| David J. Sandmeyer ⁽³⁾ Alberta, Canada | Director since March 2010 | Corporate Director of Anderson Energy since May 2009; Director of Freehold Royalty Trust since 1996 and former President of Rife Resources Ltd. and Freehold Royalty Trust until May 2009. |
| Brian P. Kohlhammer Alberta, Canada | Senior Vice President, Finance and Chief Financial Officer since December 2004. | Vice President, Finance and Chief Financial Officer of Delphi since December 2004; prior thereto Vice President, Finance and Chief Financial Officer of Virtus Energy Ltd. from September 2001 to November 2004. |
| Rod A. Hume Alberta, Canada | Senior Vice President, Engineering since February 2006. | Vice President, Engineering of Delphi since February 2006; prior thereto Senior Exploitation Engineer of Delphi from February 2005; prior thereto Exploitation Manager/Engineer of Dominion Exploration Canada Ltd. from September 2002 to January 2005. |
| Hugo H. Batteke Alberta, Canada | Vice President, Operations since October 2007. | Vice President, Operations of Delphi Energy Corp. since October 2007; prior thereto Senior Project Manager at Hood Engineering from March 2003 to September 2007. |
| Michael K. Galvin Alberta, Canada | Vice President, Land since April 2010. | Vice President, Land of Delphi Energy Corp. since April 2010; prior thereto Manager, Land of Delphi from February 2008 to March 2010; prior thereto Land Manager of Rockyview Energy Inc. from December 2005 to January 2008. |

Notes:

- (1) Member of the Audit Committee
- (2) Member of the Corporate Governance and Compensation Committee
- (3) Member of the Reserves Committee

The term of each director expires at the next annual meeting of shareholders of the Corporation.

As at March 18, 2014, the directors and executive officers of the Corporation, as a group, beneficially owned, directed or controlled, directly or indirectly 5,643,710 Common Shares or approximately 4% of

the issued and outstanding Common Shares and held options to acquire a further 6,643,750 Common Shares. Assuming exercise of all options, the directors and executive officers of the Corporation, as a group, would beneficially own, direct or control, directly and indirectly, 12,287,460 Common Shares or approximately 8% of the then issued and outstanding Common Shares. The information as to Common Shares beneficially owned, directed or controlled, not being within the knowledge of the Corporation, has been furnished by the respective individuals.

Cease Trade Orders

As of the date of this AIF, within 10 years before the date of this AIF, no director or executive officer of the Corporation was a director or executive officer at a company that was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under and securities legislation, for a period of more than 30 consecutive days, other than Mr. Andrew Osis, who as a director of Genesis Land Development Corporation (“Genesis”) consented to a management cease trade order (“MCTO”) dated April 7, 2006 with the Alberta Securities Commission (“ASC”) as a result of the failure of Genesis to file its 2005 financial statements by the required deadline under securities legislation. Subsequently, on June 6, 2006, the ASC issued a cease trade order (“CTO”) against Genesis, which replaced the MCTO, as a result of Genesis still not having filed its 2005 financial statements and failing to file its first quarter financial statements by the required regulatory deadline. Genesis filed its 2005 financial statements and its first quarter financial statements on June 15, 2006. The CTO issued by the ASC against Genesis expired on June 21, 2006.

Bankruptcies

No director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation (a) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder, other than on July 5, 2012, Poynt Corporation filed a notice of intention to make a proposal pursuant to the Bankruptcy and Insolvency Act, and, on October 31, 2012, the Court of Queen’s Bench of Alberta issued an order deeming Poynt Corporation to have made an assignment in bankruptcy. Mr. Osis was the Chief Executive Officer and a director of Poynt Corporation and resigned from both positions effective October 31, 2012.

Penalties or Sanctions

No director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Conflicts of Interest

Certain directors of Delphi are also directors of other oil and gas companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the ABCA. In accordance with the ABCA, directors who have a material interest in any person who is a party to a material contract or proposed material contract with Delphi are required, subject to certain exceptions, to disclose that interest and abstain from voting on any resolution to approve that contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of Delphi.

AUDIT COMMITTEE

Composition of Audit Committee

The Audit Committee is comprised of three members of the Board of Directors: Stephen W. C. Mulherin (Chairman), Andrew E. Osis and Lamont C. Tolley. Each of the members of the Audit Committee is financially literate and independent within the meaning of Multilateral Instrument 52-110 – Audit Committees. The mandate of the Audit Committee is reproduced in Appendix “D”.

Education and Experience

The members of Delphi’s Audit Committee have education and experience relevant to the performance of their responsibilities, which includes the following:

Stephen W. C. Mulherin (Chairman)

Mr. Mulherin has extensive experience in financial analysis and financial management, including employment in the banking industry and as CFO/VP Development of a transportation company. Mr. Mulherin is a partner in an investment company and has held and continues to hold directorships in numerous corporations, both public and private entities. He has a Degree in Economics from Queens University and is a graduate of the Advanced Management Program from Stanford University.

Andrew E. Osis

Mr. Osis has extensive experience in financial analysis including employment as an investment banker, assistant portfolio manager, and research analyst. Coupled with experience as a CFO of two public companies, and serving as a member of or as chair of the audit committee of other public companies. He has a Bachelor of Commerce degree in Finance from the Haskayne School of Business at the University of Calgary.

Lamont C. Tolley

Mr. Tolley has extensive experience in financial analysis and financial management. Mr. Tolley holds and has held directorships and executive positions in numerous public and private oil and gas corporations and royalty trusts. He has a Masters Degree of Business Administration from Dalhousie University.

Pre-Approval Policies and Procedures

The Audit Committee has established a pre-approval policy and procedures for the engagement of non-audit services. The Audit Committee must approve all engagements for non-audit services which are expected to exceed \$20,000 per engagement before the engagement may commence. For engagements for non-audit services which are expected to be less than \$20,000 the engagement may commence upon approval by the Chairman of the Audit Committee with all members being informed of the service at the

next meeting of the Committee. All recommendations for services will be submitted by the Senior Vice-President, Finance and Chief Financial Officer.

External Auditor Service Fees

The following table provides the fees billed by KPMG LLP, the Corporation's external auditors during fiscal 2013 and 2012.

| | 2013 | 2012 |
|--------------------|----------------|------------------|
| Audit Fees | 158,000 | 139,000 |
| Audit-Related Fees | - | 52,800 |
| Tax Fees | 117,208 | 31,800 |
| Total | <u>275,208</u> | <u>\$223,600</u> |

Audit fees include fees for quarterly reviews. Tax fees include fees for services provided for tax compliance.

RISK FACTORS

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of Delphi depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves Delphi may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in Delphi's reserves will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. No assurance can be given that Delphi will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Corporation may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by Delphi.

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to oil and natural

gas wells, production facilities, other property and the environment or in personal injury. In accordance with industry practice, Delphi is not fully insured against all of these risks, nor are all such risks insurable. Although the Corporation maintains liability insurance in an amount that it considers consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event Delphi could incur significant costs that could have a material adverse effect upon its financial condition. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks could have a material adverse effect on future results of operations, liquidity and financial condition.

Prices, Markets and Marketing

The marketability and price of oil and natural gas that may be acquired or discovered by Delphi will be affected by numerous factors beyond its control. Delphi's ability to market its natural gas may depend upon its ability to acquire space on pipelines that deliver natural gas to commercial markets. Delphi may also be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities, and related to operational problems with such pipelines and facilities as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

Both oil and natural gas prices are unstable and are subject to fluctuation. Any material decline in prices could result in a reduction of Delphi's net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in a reduction in the volumes of Delphi's reserves. Delphi might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in Delphi's net production revenue causing a reduction in its oil and gas acquisition, development and exploration activities. In addition, bank borrowings available to Delphi are in large part determined by Delphi's borrowing base. A sustained material decline in prices from historical average prices could reduce its borrowing base, therefore reducing the bank credit available to the Corporation which could require that a portion, or all, of its bank debt be repaid.

Market Price of Common Shares

The trading price of securities of oil and natural gas issuers is subject to substantial volatility often based on factors related and unrelated to the financial performance or prospects of the issuers involved. Factors unrelated to the Corporation's performance could include macroeconomic developments nationally, within North America or globally, domestic and global commodity prices or current perceptions of the oil and gas market. Similarly, the market price of the Common Shares of the Corporation could be subject to significant fluctuations in response to variations in the Corporation's operating results, financial condition, liquidity and other internal factors. The price at which the Common Shares of the Corporation will trade cannot be accurately predicted.

Gathering and Processing Facilities and Pipeline Systems

The Corporation delivers its products through gathering, processing and pipeline systems some of which it does not own. The amount of oil and natural gas that the Corporation can produce and sell is subject to the accessibility, availability, proximity and capacity of these gathering, processing and pipeline systems. The lack of availability of capacity in any of the gathering, processing and pipeline systems, and in particular the processing facilities, could result in the Corporation's inability to realize the full economic potential of its production or in a reduction of the price offered for the Corporation's production. Although pipeline expansions are ongoing, the lack of firm pipeline capacity continues to affect the oil

and natural gas industry and limit the ability to produce and to market oil and natural gas production. In addition, the pro-rationing of capacity on inter-provincial pipeline systems also continues to affect the ability to export oil and natural gas. Any significant change in market factors or other conditions affecting these infrastructure systems and facilities, as well as any delays in constructing new infrastructure systems and facilities could harm the Corporation's business and, in turn, the Corporation's financial condition, results of operations and cash flows.

A portion of the Corporation's production may, from time to time, be processed through facilities owned by third parties and over which the Corporation does not have control. From time to time these facilities may discontinue or decrease operations either as a result of normal servicing requirements or as a result of unexpected events. A discontinuation or decrease of operations could materially adversely affect the Corporation's ability to process its production and to deliver the same for sale.

Competition

The petroleum industry is competitive in all its phases. The Corporation competes with numerous other participants in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. Delphi's competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than those of Delphi. Delphi's ability to increase reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery.

Regulatory

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. Delphi's operations may require licenses from various governmental authorities. There can be no assurance that the Corporation will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development at its projects.

Environmental

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require Delphi to incur costs to remedy such discharge. Although the Corporation believes that it is in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect Delphi's financial condition, results of operations or prospects.

Hydraulic Fracturing

Hydraulic fracturing involves the injection of water, sand and small amounts of additives under pressure into rock formations to stimulate hydrocarbon (oil and natural gas) production. The use of hydraulic fracturing is being used to produce commercial quantities of oil and natural gas from reservoirs that were previously unproductive. Any new laws, regulations or permitting requirements regarding hydraulic fracturing could lead to operational delays, increased operating costs or third party or governmental claims, and could increase Delphi's costs of compliance and doing business as well as delay the development of oil and natural gas resources from shale formations which are not commercial without the use of hydraulic fracturing. Restrictions on hydraulic fracturing could also reduce the amount of oil and natural gas that Delphi is ultimately able to produce from its reserves.

Substantial Capital Requirements

Delphi anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. If Delphi's revenues or reserves decline, it may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Delphi. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on its financial condition, results of operations or prospects.

Additional Funding Requirements

Delphi's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. From time to time, the Corporation may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause Delphi to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If Delphi's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect Delphi's ability to expend the necessary capital to replace its reserves or to maintain its production. If Delphi's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on terms acceptable to Delphi.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

Delphi considers acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as Delphi's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of Delphi. The integration of acquired businesses may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets may be periodically disposed of, so that the Corporation can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, the Corporation, if disposed of, could be expected to realize less than their carrying value on the financial statements of Delphi.

Issuance of Debt

From time to time Delphi may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase Delphi's debt levels above industry standards. Depending on future exploration and development plans, Delphi may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. Neither Delphi's articles nor its by-laws limit the amount of indebtedness that Delphi may incur. The level of Delphi's indebtedness from time to time, could impair Delphi's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Risk Management

From time to time Delphi may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, Delphi will not benefit from such increases. Delphi may also enter into interest rate swaps to fix the interest payable for a given period of time on a certain amount of its debt in order to offset the risk of incremental interest costs if rates increase, however, if interest rates decrease, Delphi would not benefit from reduced interest costs. Similarly, from time to time Delphi may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to the United States dollar; however, if the Canadian dollar declines in value compared to the United States dollar, Delphi will not benefit from the fluctuating exchange rate.

Availability of Drilling Equipment and Access

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to Delphi and may delay exploration and development activities. To the extent Delphi is not the operator of its oil and gas properties, Delphi will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators.

Title to Assets

Although title reviews may be conducted prior to the purchase of oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat Delphi's claim which could result in a reduction of the revenue received by Delphi.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and NGL reserves and cash flows to be derived therefrom, including many factors beyond Delphi's control. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected

therefrom prepared by different engineers, or by the same engineers at different times, may vary. Delphi's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

In accordance with applicable securities laws, GLJ, the Corporation's independent qualified reserves evaluator, has used forecast price and cost estimates in calculating reserve quantities in the GLJ Report summarized under "Oil and Gas Activities" above. Actual future net cash flows will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and cash flows derived therefrom will vary from the estimates contained in the GLJ Report, and such variations could be material. The GLJ Report is based in part on the assumed success of activities Delphi intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom contained in the GLJ Report will be reduced to the extent that such activities do not achieve the level of success assumed in the GLJ Report.

Insurance

Delphi's involvement in the exploration for and development of oil and natural gas properties may result in Delphi becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. Although prior to drilling, Delphi will obtain insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not in all circumstances be insurable or, in certain circumstances, Delphi may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to Delphi. The occurrence of a significant event that Delphi is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on Delphi's financial position, results of operations or prospects.

Dilution

The Corporation may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Corporation which may be dilutive.

Management of Growth

The Corporation may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Corporation to deal with this growth could have a material adverse impact on its business, operations and prospects.

Expiration of Licenses and Leases

The Corporation's properties are held in the form of licences and leases and working interests in licences and leases. If the Corporation or the holder of the licence or lease fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of the Corporation's licences or leases or the working interests relating to a licence or lease may have a material adverse effect on the Corporation's results of operations and business.

Aboriginal Claims

Aboriginal peoples have claimed aboriginal title and rights to portions of western Canada. The Corporation is not aware that any claims have been made in respect of its property and assets; however, if a claim arose and was successful this could have an adverse effect on the Corporation and its operations.

Seasonality

The level of activity in the Canadian oil and gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil and gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. There can be no assurance that these seasonal factors will not adversely affect the timing and scope of the Corporation's exploration and development activities, which could in turn have a material adverse impact on the Corporation's business, operations and prospects.

Third Party Credit Risk

The Corporation is, or may be exposed to, third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Corporation, such failures could have a material adverse effect on the Corporation and its cash flow from operations. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in the Corporation's ongoing capital program, potentially delaying the program and the results of such program until the Corporation finds a suitable alternative partner.

Reliance on Key Personnel

Delphi's success depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse affect on Delphi. Delphi does not have key person insurance in effect for management. The contributions of these individuals to the immediate operations of Delphi are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that Delphi will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of Delphi.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of management of the Corporation, there are no legal proceedings to which the Corporation is or was a party to or which any of its property is or was the subject of, nor are any such proceedings known to be contemplated, during the recently completed financial year.

To the knowledge of management of the Corporation, there have not been any penalties or sanctions imposed against the Corporation by a court relating to provincial and territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Corporation, and the Corporation has not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There are no material interests, direct or indirect, of directors, executive officers, senior officers, any direct or indirect shareholder of the Corporation who beneficially owns, or who exercises control over, more than 10% of the outstanding Common Shares or any known associate or affiliate of such persons, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect Delphi.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is Olympia Trust Company at its office in Calgary, Alberta.

MATERIAL CONTRACTS

The Corporation has not entered into any material contracts during the most recently completed financial year, or before the last financial year, other than those entered into in the ordinary course of business.

INTERESTS OF EXPERTS

KPMG LLP, Delphi's auditor, is independent in accordance with the auditor's rules of professional conduct of the Institute of Chartered Accountants of Alberta.

Information relating to reserves in this AIF dated March 28, 2014 was evaluated by GLJ as independent reserves evaluators. The principals of GLJ as a group own less than one percent of the Common Shares of Delphi.

ADDITIONAL INFORMATION

Additional information relating to Delphi is available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR"), which can be accessed at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, options to purchase securities, securities authorized for issuance under equity compensation plans and interest of insiders in material transactions, is contained in the Information Circular of the Corporation for the Corporation's most recent annual meeting of shareholders that involved the election of directors. Additional financial information is provided in the Corporation's audited financial statements and management's discussion and analysis for the year ended December 31, 2013, available on SEDAR.

APPENDIX A

REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR (NI 51-101 F2)

To the board of directors of Delphi Energy Corp. (the “Company”):

1. We have evaluated the Company's reserves data as at December 31, 2013. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2013, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the “COGE Handbook”) prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for the year ended December 31, 2013, and identifies the respective portions thereof that we have audited, evaluated and reviewed and reported on to the Company's board of directors:

| Independent Qualified Reserves Evaluator | Description and Preparation Date of Report | Location of Reserves (Country or Foreign Geographic Area) | Net Present Value of Future Net Revenue (before income taxes, 10% discount rate, 000's) | | | |
|---|--|--|--|------------|----------|------------|
| | | | Audited | Evaluated | Reviewed | Total |
| GLJ Petroleum Consultants | Corporate Summary March 4, 2014 | Canada | - | \$ 583,925 | - | \$ 583,925 |

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after the respective preparation dates.
7. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

GLJ Petroleum Consultants Ltd., Calgary, Alberta, Canada, March 5, 2014

ORIGINALLY SIGNED BY

Terry L. Aarsby, P. Eng.
Vice President

APPENDIX B
REPORT OF MANAGEMENT AND DIRECTORS
ON RESERVES DATA AND OTHER INFORMATION
(NI 51-101 F3)

Management of Delphi Energy Corp. (the "Corporation") is responsible for the preparation and disclosure of information with respect to the Corporation's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2013, estimated using forecast prices and costs.

An independent qualified reserves evaluator has evaluated the Corporation's reserves data. The report of the independent qualified reserves evaluator is presented in Appendix A.

The Reserves Committee of the Board of Directors of the Corporation has:

- (a) reviewed the Corporation's procedures for providing information to the independent qualified reserves evaluator;
- (b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The Reserves Committee of the Board of Directors has reviewed the Corporation's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board of Directors has, on the recommendation of the Reserves Committee, approved:

- (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing the reserves data and other oil and gas information;
- (b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; and
- (c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

(signed) David Reid

David Reid
President & Chief Executive Officer

(signed) Robert Lehodey

Robert Lehodey, Q.C.
Director and Member of the Corporate
Governance and Compensation Committee and
Reserves Committee

(signed) Tony Angelidis

Tony Angelidis
Senior Vice President, Exploration

(signed) Andrew Osis

Andrew Osis
Director and Member of the Corporate
Governance and Compensation Committee and
Audit Committee

(signed) Harry Campbell

Harry Campbell, Q.C.
Director and Member of the Corporate
Governance and Compensation Committee

(signed) Lamont Tolley

Lamont Tolley
Director and Member of the Audit and
Reserves Committee

(signed) Stephen Mulherin

Stephen Mulherin
Director and Member of the Audit Committee

(signed) David Sandmeyer

David Sandmeyer
Director and Member of the Reserves
Committee

APPENDIX C

ABBREVIATIONS, EQUIVALENCIES AND DEFINITIONS

The following are abbreviations of terms used in this AIF. All calculations converting natural gas to crude oil equivalent have been made using a ratio of 6 mcf of natural gas to one barrel of crude equivalent.

| Crude Oil and Natural Gas Liquids | | Natural Gas | |
|--|--|--------------------|--------------------------------|
| bbbl | One barrel equaling 34.972 Imperial gallons or 42 U.S. gallons | bcbf | Billion cubic feet |
| bbls/d | Barrels per day | bcbfe | Billion cubic feet equivalent |
| boe | Barrels of oil equivalent | bcbf/d | Billion cubic feet per day |
| boe/d | Barrels of oil equivalent per day | mcbf | Thousand cubic feet |
| Mboe | Thousand barrels of oil equivalent | mcbfe | Thousand cubic feet equivalent |
| Mmboe | Million barrels of oil equivalent | mcbf/d | Thousand cubic feet per day |
| Mbbls | Thousand barrels | mmcbfe | Million cubic feet equivalent |
| Mmbbls | Million barrels | mmcbf | Million cubic feet |
| Mmlts | Million long tonnes | mmcbf/d | Million cubic feet per day |
| NGL or NGLs | Natural gas liquids, consisting of any one or more of propane, butane and condensate | Mmbtu | Million British Thermal Units |
| WI | Working interest | GJ/d | Gigajoules per day |

The following table sets forth certain standard conversions from Standard Imperial units to the International System of Units (or metric units).

| To Convert From | To | Multiply By |
|------------------------|--------------|--------------------|
| Mcf | Cubic metres | 28.174 |
| Cubic metres | Cubic feet | 35.494 |
| Bbls | Cubic metres | 0.159 |
| Cubic metres | Bbls | 6.290 |
| Feet | Metres | 0.305 |
| Metres | Feet | 3.281 |
| Miles | Kilometres | 1.609 |
| Kilometres | Miles | 0.621 |
| Acres | Hectares | 0.405 |
| Hectares | Acres | 2.471 |
| GJ | Mcf | 1.055 |

The following are the note references to the tables disclosed under “Oil and Gas Activities” in this AIF.

(1) **Gross**

- (a) In relation to the Corporation's interest in production or reserves, its “company gross reserves”, which are the Corporation’s working interest (operating or non-operating) share before deduction of royalties and excluding any royalty interest of the Corporation;
- (b) In relation to wells, the total number of wells in which the Corporation has an interest;
- (c) In relation to properties, the total area of properties in which the Corporation has an interest.

(2) **Net**

- (a) In relation to the Corporation's interest in production or reserves, the Corporation's working interest (operating and non-operating) share after deduction of royalty obligations, plus the Corporation's royalty interests in production or reserves;
- (b) In relation to the Corporation’s interest in wells, the number of wells obtained by aggregating the Corporation’s working interest in each of its gross wells.
- (c) In relation to the Corporation's interest in a property, the total area in which the Corporation has an interest multiplied by the working interest owned by the Corporation.

(3) Definitions used for reserve categories in the GLJ Report are as set forth, which definitions apply to both estimates of individual reserves entities and the aggregate of reserves for multiple entities:

Reserve Categories

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on

- analysis of drilling, geological, geophysical and engineering data;
- the use of established technology; and
- specified economic conditions,

Reserves are classified according to the degree of certainty associated with the estimates.

- (a) **Proved reserves** are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
- (b) **Probable reserves** are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

Each of the reserve categories (proved and probable) may be divided into developed and undeveloped categories:

(4) Each of the **reserve categories (proved and probable)** may be divided into developed and undeveloped categories:

- (a) **Developed reserves** are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

- i. **Developed producing reserves** are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These

reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

- ii. **Developed non-producing reserves** are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

(5) **Undeveloped reserves** are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned. In multi-well pools it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

(6) Levels of Certainty for Reported Reserves

The qualitative certainty levels referred to in the definitions above are applicable to individual reserve entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserves are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- (a) At least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves; and
- (b) At least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves.

A quantitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

(7) Forecast prices and costs

Future prices and costs that are:

- (a) Generally accepted as being a reasonable outlook of the future;
- (b) If, and only to the extent that, there are fixed or presently determinable future prices or costs to which the Corporation is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

The forecast summary table identifies benchmark reference pricing that apply to the Corporation.

(8) Royalty credits under the Alberta royalty tax credit ("ARTC") plan have not been included in this analysis, as the Alberta Government has eliminated this program effective January 1, 2007.

(9) Future income tax expenses

Future income tax expenses are estimated:

- (a) Making appropriate allocations of estimated unclaimed costs and losses carried forward for tax purposes, between oil and gas activities and other business activities;

- (b) Without deducting estimated future costs (for example, Crown royalties) that are not deductible in computing taxable income;
 - (c) Taking into account estimated tax credits and allowances (for example, royalty tax credits); and
 - (d) Applying to the future pre-tax net cash flows relating to the Corporation's oil and gas activities the appropriate year-end statutory rates, taking into account future tax rates already legislated.
- (10) **Development well** – A well drilled inside the established limits of an oil or gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.
- (11) **Development costs** – Costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from the reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:
- (a) Gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines and power lines, to the extent necessary in developing the reserves;
 - (b) Drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and wellhead assembly;
 - (c) Acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and
 - (d) Provide improved recovery systems.
- (12) **Exploration well** – A well that is not a development well, a service well or a stratigraphic test well.
- (13) **Exploration costs** – Costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to in part as “prospecting costs”) and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities are:
- (a) Costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies (collectively sometimes referred to as “geological and geophysical costs”);
 - (b) Costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence, and the maintenance of land and lease records;
 - (c) Dry hole contributions and bottom hole contributions;
 - (d) Costs of drilling and equipping exploratory wells; and
 - (e) Costs of drilling exploratory type stratigraphic test wells.
- (14) **Service well** – A well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt water disposal, water supply for injection, observation or injection for combustion.
- (15) Numbers may not add due to rounding.

APPENDIX D AUDIT COMMITTEE MANDATE

Policy Statement

Delphi Energy Corp. (the “**Corporation**”) has established and maintains an Audit Committee, (the “**Committee**”) composed entirely of independent directors, to assist the Board of Directors (the “**Board**”) in carrying out its oversight responsibility with respect to public reporting related to the Corporation’s internal controls, financial reporting and risk management processes. The Committee will be provided with resources commensurate with the duties and responsibilities set out herein and assigned to it by the Board from time to time, including administrative support. If determined necessary by the Committee, it will have the discretion to institute investigations of improprieties, or suspected improprieties within the scope of its responsibilities, including the standing authority to retain special counsel or experts.

Composition

1. The Committee shall consist of at least three directors. The Board shall appoint the members of the Committee. The Board shall appoint one member of the Committee to be the chairman of the Committee (the “**Chairman**”);
2. Each director appointed to the committee by the Board shall be “independent” as required under the applicable securities laws and the applicable rules of any stock exchange on which the securities of the Corporation are listed.
3. Each member of the Committee shall be “financially literate” as required under the applicable securities laws, including without limitation *National Instrument 52-110 - Audit Committees* (“**NI 52-110**”). In order to be financially literate, a director must have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements. If available, at least one member shall have “accounting or related financial management expertise”, meaning the ability to analyze and interpret a full set of financial statements, including the notes attached thereto, in accordance with Canadian generally accepted accounting principles.
4. A director appointed by the Board to the Committee shall be a member of the Committee until replaced by the Board or until his or her resignation.

Meetings and Operations

1. The Committee shall convene a minimum of four times each year at such times and places as may be designated by the Chairman and whenever a meeting is requested by the Board, a member of the Committee, the external auditors (the “**auditors**”), or an officer of the Corporation. Meetings of the Committee shall correspond with the review of the quarterly and annual financial statements and the associated management’s discussion and analysis (“**MD&A**”).
2. Notice of each meeting of the Committee shall be given to each member of the Committee and to the auditors, who shall be entitled to attend each meeting of the Committee and who shall attend whenever requested to do so by a member of the Committee.
3. A quorum for the transaction of business at a meeting of the Committee shall consist of two members of the Committee.

4. A member or members of the Committee may participate in a meeting of the Committee by means of such telephonic, electronic or other communication facilities, as permits all persons participating in the meeting to communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at the meeting.
5. In the absence of the Chairman, the members of the Committee shall choose one of the members present to be chairman of the meeting. In addition, the members of the Committee shall choose one of the persons present to be the secretary of the meeting.
6. The President and Chief Executive Officer and the Vice President, Finance and Chief Financial Officer and other members of senior management shall be invited to attend meetings of the Committee upon the request of the Committee; subject, however, to the requirement that the Committee (i) hold in camera sessions of the members of the Committee, without management representatives present at every meeting of the Committee, and (ii) meet with the auditors separately and independent of management at every meeting at which the auditors are in attendance.
7. Minutes shall be kept of all meetings of the Committee.

Authority and Reporting

1. In discharging its duties and responsibilities, the Committee shall have the authority to:
 - (a) inspect any and all of the books and records of the Corporation, its subsidiaries and affiliates;
 - (b) discuss with the management of the Corporation, its subsidiaries and affiliates and staff of the Corporation, any affected party, contractors and consultants of the Corporation and the auditors, such accounts, records and other matters as any member of the Committee considers necessary and appropriate;
 - (c) engage independent counsel and other advisors (including a second firm of external auditors) as it determines necessary to carry out its duties; and
 - (d) set and pay the compensation for any advisors employed by the Committee.
2. The Committee shall after each meeting, report to the Board the results of its activities and any reviews undertaken and make recommendations to the Board as deemed appropriate.

Primary Duties and Responsibilities

1. The Committee's primary duties and responsibilities regarding its audit function are to:
 - (a) review with the external auditors the audit function generally, the objectives, staffing, locations, co-ordination, and scope of proposed audits of the financial statements of the Corporation;
 - (b) review with management and the external auditors, and recommend to the Board for approval and release to shareholders, the quarterly and annual financial statements of the Corporation, together with related reports to shareholders, MD&A associated with such

financial statements and, when applicable, other public filings (such as prospectus or annual information forms) containing financial disclosures;

- (c) review with the auditors and management, and monitor the management of, the principal risks that could affect the financial reporting of the Corporation;
 - (d) review and assess the framework of and periodically consider the integrity of the Corporation's financial reporting process and system of internal controls regarding financial reporting and accounting compliance through discussions with management and the auditor;
 - (e) consider the independence and performance of the Corporation's auditors;
 - (f) deal directly with the auditors to approve the annual external audit plan, other services (if any) and associated fees;
 - (g) approve the audit engagement and consider the external audit process and results;
 - (h) provide an avenue of communication among the auditors (both external and internal, if any), management and the Board, and direct the external auditors to report directly to the Committee;
 - (i) establish and monitor procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and the anonymous submission by employees of concerns regarding questionable accounting or auditing matters or other "whistleblower" issues, and review the minutes of any Committee meetings held in connection with any subsidiary companies of the Corporation.
2. The Committee shall, in connection with the financial aspects of the Corporation's business:
- (a) review the annual external audit plan with the Corporation's auditors and with management and approve the engagement letter relating thereto;
 - (b) discuss with management and the auditors any proposed changes in major accounting policies or principles, the presentation and effect of significant risks and uncertainties and key estimates and judgements of management that may be material to financial reporting;
 - (c) review with management and with the auditors significant financial reporting issues arising during the most recent fiscal period and the resolution or proposed resolution of such issues;
 - (d) review any problems experienced or concerns expressed by the auditors in performing an audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;
 - (e) review with management the process of identifying, monitoring and reporting the Corporation's risk management policies and procedures and the principal risks affecting financial reporting;

- (f) review and evaluate any recommendations of the auditors and decide the appropriate course of action;
- (g) consider consistency of the data reported in the financial statements, annual and quarterly reports and related public disclosure documents;
- (h) review audited annual financial statements and related documents in conjunction with the report of the auditors and significant variances between comparative reporting periods as set out in the MD&A;
- (i) review, independently of management, and without management present, the results of the annual external audit, the audit report thereon and the auditor's review of the related MD&A, and discuss with the auditor the quality of accounting principles used, any alternative treatments of financial information that have been discussed with management, the ramifications of their use and the auditor's preferred treatment and any other material communication with management.
- (j) consider and review with management:
 - (i) all unadjusted errors identified by the external auditors,
 - (ii) the internal control memorandum or management letter containing the recommendations of the auditors and management's response, if any, including any evaluation of the adequacy and effectiveness of the internal financial controls of the Corporation and subsequent follow-up to any identified weakness;
- (k) review with management and the auditors the quarterly unaudited financial statements and MD&A before release to the public;
- (l) before release, review and if appropriate, recommend for approval by the Board, all public disclosure documents containing audited or unaudited financial information, including any prospectus, annual reports, annual information forms, MD&A and press releases;
- (m) review and approve the Corporation's hiring policies regarding employees and former employees of the present and former auditors;
- (n) review with management the Corporation's relationship with regulators and the timelines and accuracy of the Corporation's filings with regulatory agencies; and
- (o) review with management all related party transactions and the development of policies and procedures related to those transactions.

Auditors

1. The Committee shall:
 - (a) consider the independence and performance of the auditors and annually recommend to the Board the appointment or discharge of the auditor when circumstances are warranted and recommend to the Board the compensation of the auditors;

- (b) pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the auditors, or the auditors of any of the Corporation's subsidiary entities;
- (c) when there is to be a change of auditors, review all issues and provide documentation related to the change, including the information to be included in the Notice of Change of Auditors and related documentation required pursuant to *National Instrument 51-102 — Continuous Disclosure Obligations*, with respect to a change of auditors (or any successor legislation) and the planned steps for an orderly transition period;
- (d) review all material written communications between the auditor and management; and
- (e) review all reportable events, including disagreements, unresolved issues and consultations, as defined by applicable securities policies, on a routine basis, whether or not there is to be a change of auditors.

Financing Matters

1. The Committee shall:

- (a) review all securities offering documents (including documents incorporated therein by reference) of the Corporation;
- (b) review findings, if any, from examinations or reviews performed by regulatory agencies with respect to financial matters;
- (c) review management's consideration of the Corporation's compliance with laws and regulations;
- (d) review management's assessment of current and expected future compliance with covenants under any financing agreements;
- (e) if requested by the Board, review the proposed issuance of debt and equity instruments including public and private debt, equity and hybrid securities, credit facilities with banks and others, and other credit arrangements such as material capital and operating leases, as well as any related securities filings;
- (f) if requested by the Board, review the proposed repurchase of public and private debt, equity and hybrid securities; and
- (g) in consultation with management understand the Corporation's capital structure and financial risks arising from exposure to such things as commodity prices, interest rates, foreign currency exchange rates and credit and review the management of these risks including any proposed hedging of the exposures, including receiving a summary report of the hedging activities and hedge-related instruments.

Other

1. The Committee shall consider the amount and terms of any insurance to be obtained or maintained by the Corporation with respect to risks inherent in its operations and potential liabilities incurred by the directors or officers in the discharge of their duties and responsibilities.

2. The Committee shall consider the appointments of the Chief Financial Officer and any key financial managers who are involved in the financial reporting process.
3. The Committee shall enquire into and determine the appropriate resolution of any conflict of interest in respect of audit or financial matters, which are directed to the Committee by any member of the Board, a shareholder of the Corporation, the auditors, or management.
4. The Committee shall review, on an annual basis this mandate and recommend any changes to the Board.
5. The Committee will perform any other activities consistent with this mandate, the Corporation's bylaws and applicable laws as the Committee or the Board deems necessary or appropriate.

Scope and Reliance

1. While the Committee has the responsibilities, duties and authorities herein, it is not required to plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate or are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the auditors. The Committee, its Chairman and any of its members who have accounting or related financial management experience or expertise, are members of the Board, appointed to the Committee to provide broad oversight to the financial disclosure, financial risk and control related activities of the Corporation, and are specifically not accountable nor responsible for the day-to-day operation of such activities. Although designation of a member or members as being "financially literate" or a "financial expert" is based on each such individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, designation as being "financially literate" or a "financial expert" does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation. Rather, the role of any financially literate individual or financial expert, like the role of all Committee members, is to oversee the process and not to certify or guarantee the internal or external audit of the Corporation's; financial information or public disclosure.
2. Absent actual knowledge to the contrary (which shall be promptly reported to the Board), each member of the Committee shall be entitled to rely on (i) the integrity of those persons or organizations within and outside the Corporation from which it receives information, (ii) the accuracy of the information provided to the Committee by such persons or organizations, and (iii) representations made by management of the Corporation, the external auditors of the Corporation, independent counsel, and other advisors and experts to the Corporation and its subsidiaries.