DELPHI ENERGY CORP.

FIRST QUARTER

FOR THE THREE MONTHS ENDED MARCH 31, 2015

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TSX Symbol: DEE

First Quarter 2015 Highlights

- Produced an average of 11,002 barrels of oil equivalent per day ("boe/d") in the first quarter of 2015, an increase of seven percent over the comparative quarter of 2014 including production curtailments of 500 boe/d;
- Successfully drilled two gross (1.7 net) wells and completed, tied-in and brought on production two gross (1.8 net) Montney wells in East Bigstone;
- Increased Montney production from 5,770 boe/d in the first quarter of 2014 to 7,210 boe/d in the first quarter of 2015, an increase of 25 percent;
- Maintained Montney natural gas liquids ("NGL") and field condensate yields at 95 barrels per million cubic feet ("bbls/mmcf") in the first quarter of 2015. Field and plant condensate yield was 66 bbls/mmcf or 70 percent of the total 95 bbls/mmcf;
- Achieved funds from operations of $10.8 million ($0.07 per share) in the first quarter of 2015, and
- Realized gains of $4.9 million from commodity price risk management contracts in the first quarter of 2015. At March 31, 2015, the Company's risk management contracts had a mark-to-market value of $23.8 million.

Financial Highlights ($ thousands except per unit amounts)

	Three Months Ended March 31		
	2015	2014	% Change
Crude oil and natural gas sales	**22,650**	49,046	(54)
Realized sales price per boe	**27.44**	47.45	(42)
Funds from operations	**10,781**	20,409	(47)
Per boe	**10.88**	22.02	(51)
Per share – Basic	**0.07**	0.13	(46)
Per share – Diluted	**0.07**	0.12	(42)
Net earnings	**1,995**	723	176
Per boe	**2.02**	0.78	159
Per share – Basic and diluted	**0.01**	0.00	-
Total capital invested	**17,269**	37,410	(54)

	March 31, 2015	December 31, 2014	% Change
Net debt [(1)]	**180,662**	173,655	4
Total assets	**484,460**	481,749	1
Shares outstanding (000's)			
Basic	**155,477**	155,477	-
Diluted	**168,213**	168,208	-

[(1)] *Defined as the sum of long term and subordinated debt plus (minus) the working capital deficit (surplus) excluding the current portion of the fair value of the financial instruments.*

Operational Highlights

Production	Three Months Ended March 31 2015	2014	% Change
Field condensate (bbls/d)	**1,592**	1,455	9
Natural gas liquids (bbls/d)	**1,698**	1,493	14
Crude oil (bbls/d)	**8**	242	(97)
Total crude oil and natural gas liquids	**3,298**	3,190	3
Natural gas (mcf/d)	**46,223**	42,673	8
Total (boe/d)	**11,002**	10,302	7

MESSAGE TO SHAREHOLDERS

Delphi continues to focus on its Montney development at Bigstone, increasing the Company's cash generating capability through the growth of its liquids-rich production.

The commodity price environment continued to deteriorate through the first quarter with oil and gas prices reaching multi-year lows. Delphi has successfully executed its first half capital program within projected cash flow, while maintaining production levels relatively flat to December 2014 exit levels.

Funds from operations in the first quarter of 2015 were $10.8 million or $0.07 per basic and diluted share, compared to $20.4 million or $0.13 per basic share ($0.12 per diluted share) in the comparative quarter of 2014. The decrease in funds from operations in the first quarter of 2015 as compared to the same quarter in 2014 is primarily due to a significant decrease in commodity prices. For the three months ended March 31, 2015, Delphi recognized $4.5 million and $0.4 million in realized gains on its financial and physical commodity risk management contracts, respectively.

Production volumes for the first quarter of 2015 averaged 11,002 boe/d, a seven percent increase over the comparative quarter in 2014. Production volumes have increased as a result of the Company's successful drilling program in the Montney formation at Bigstone despite production curtailments incurred of approximately 500 boe/d. During the first quarter of 2015, Delphi brought on stream two gross (1.8 net) wells. One well which was drilled in the fourth quarter of 2014 was brought on early in the first quarter and the second well was brought on in the latter part of the quarter. Production rates from the two new wells have met or exceeded expectations. Production volumes from the Montney development in the first quarter of 2015 increased 25 percent to 7,210 boe/d from the 5,770 boe/d produced in the first quarter of 2014.

Delphi's production portfolio for the first quarter of 2015 remained relatively similar to the prior quarter, weighted 15 percent to field condensate, 15 percent to natural gas liquids and 70 percent to natural gas. Crude oil production is minimal in the first quarter of 2015 as the Company disposed of producing oil properties in Hythe during the third quarter of 2014. On a revenue basis, the production portfolio remained almost equally weighted, with 47 percent of the revenue generated from the condensate and natural gas liquids volumes.

Royalty costs were down 82 percent over the comparative quarter of 2014, with approximately nine percent of the reduction related to a prior year's adjustment and the remainder of the reduction due to the low commodity price environment. The average royalty rate was down to six percent in the first quarter of 2015 from approximately 16 percent in the comparative quarter of 2014. The Company has also seen the benefits of reduced cost of services as a result of the slowdown in field activity. Operating costs are down eight percent from the comparative quarter in 2014 and down 21 percent from the fourth quarter of 2014. Transportation costs have also been reduced by ten percent compared to the first quarter of 2014 and eight percent from the fourth quarter of 2014. The reduced cost structure enhances the field operating netbacks in the current commodity price environment.

During the first quarter of 2015, Delphi invested $17.3 million in capital expenditures, of which 81 percent was directed toward the drilling of two gross (1.7 net) wells and completion operations and equipping of two gross (1.8 net) wells, of which one well was drilled during the fourth quarter of 2014. Delphi generally incurs capital expenditures in excess of funds from operations in the first quarter of the year followed by significantly less capital invested in the second quarter relative to funds from operations, resulting in net debt at the end of the second quarter relatively unchanged from the prior year end amounts. The Company expects its capital expenditures through the first half of 2015 to be ten to twelve percent less than funds generated from operations.

At March 31, 2015, the Company had net debt of $161.0 million outstanding under its senior credit facility, $19.7 million outstanding under its subordinated credit facility and was in compliance with all covenants of the credit facilities. The annual credit facility review by the Company's senior lenders is currently in progress and is expected to be completed by the end of May. Effective May 12, 2015, the subordinated debt lenders agreed to an amendment to certain financial covenants in response to the continued weak commodity pricing environment. The amendment no longer requires quarterly compliance with a net debt to funds from operations ratio and is now subject to a net debt to funds from operations ratio of no greater than 3.5 times at December 31, 2015.

Subsequent to the end of the quarter, Delphi entered into a Gross Overriding Royalty ("GOR") agreement to partially fund the drilling of the next five Montney wells in East Bigstone. The parties purchasing the GOR ("Royalty Owners") will contribute $11.5 million over this time frame towards five wells scheduled to be drilled in 2015 and the first quarter of 2016. The Royalty Owners will be granted a GOR on the Company's working interest revenue on the wells until an agreed upon rate of return is achieved, at which time the GOR will be extinguished on all wells.

Operations

The Company finished the two well winter drilling program ahead of schedule and below budget as a result of improved spud to spud cycle times and some realized service cost reductions. After break-up, the Company will commence completion operations at its 16-24-60-23W5 ("16-24") well that was drilled in the first quarter of 2015. The 16-24 well was drilled to a total depth of 5,749 metres with a horizontal lateral length of 2,802 metres in which a 40 stage frac liner was installed. With minimal pipeline tie-in requirements, the Company expects the 16-24 well to be brought on production in August 2015.

Delphi plans to resume its drilling program in the Montney in July, 2015. Commensurate with a drilling program objective that minimizes capital to bring on production, the surface location of the next wells to be drilled are proximal to existing gathering infrastructure. These infill drilling locations are consistent with the Company's strategy to minimize capital costs while targeting the most efficient production and proved developed producing reserves.

Delphi continues to pursue operating efficiency gains and operating cost reductions in the field, having already achieved a 15 percent reduction in operating and transportation costs per boe over the comparative quarter. The Company has acquired a water disposal well in the greater Bigstone area for the handling of its produced water and completion flow-back water. After equipping of the water disposal well with the required injection facilities, Delphi expects disposal of its produced and completion water to commence in the fourth quarter of 2015. Avoiding water disposal costs through third parties will result in further reductions to both operating costs on the Company's Bigstone Montney production and capital costs on Delphi's completion operations for its future Montney development wells.

As the Company's Montney production at Bigstone continues to grow (replacing less efficient legacy production), Delphi will be expanding the capacity at its 7-11-60-23W5 field compression and dehydration facility. Additional compression, planned to be commissioned late in the third quarter of 2015, will bring the total capacity of this facility to 52 million cubic feet of raw natural gas per day (with the necessary capacity to handle associated field condensate production).

The Company has 14 wells which have been drilled with an average horizontal length of 2,500 to 3,000 metres and fracked with 30 to 40 stages utilizing the Company's slickwater hybrid frac technique. All the wells now have IP30 day production performance data with seven wells having produced for at least a year providing IP365 well performance data. The seven wells have an average IP365 total sales rate of 877 boe/d with 2 wells averaging over 1,100 boe/d each in their first 365 days of production. The strong production performance at 365 days and later results in shorter periods to payback, enhances the ability to grow Montney production on an absolute basis and contributes to significant value of the asset.

Initial Production (IP) Rate Well Performance (1)

	IP30 Total Sales (boe/d)	IP30 Field Condensate Rate (bbls/d)	IP30 Total NGL Yield (bbl/mmcf)	IP180 Total Sales (boe/d)	IP365 Total Sales (boe/d)
Type Well	1,629	449	119	1,083	843
Slickwater Hybrid Frac Wells	1,471	434	128	1,000	877

(1) Average production calculated on operating days, excludes non-producing days. Includes estimated NGL gas plant recoveries.

Risk Management

Delphi continues to maintain a strong commodity price risk management program for both its natural gas and condensate production. The Company estimates its risk management program to have a mark-to-market value of approximately $23.8 million at March 31, 2015. The table below summarizes the Company's current commodity price risk management contracts.

Natural Gas (Cdn)	Q2-Q4 2015	2016	2017
Volume (mmcf/d)	35.3	10.9	2.4
% Hedged (1)	70%	22%	5%
Fixed Price (Cdn $/mcf)	$3.57	$3.68	$3.96

Natural Gas (US)	Q2-Q4 2015	2016	2017	2018
Volume (mmcf/d)	7.0	20.0	15.0	10.0
% Hedged (1)	14%	40%	30%	20%
Fixed Price (US $/mcf)	$2.96	$3.61	$3.66	$3.56

Condensate (Cdn)	Q2-Q4 2015	2016	2017	2018
Volume (bbls/d)	1,220	800	800	800
% Hedged (1)	58%	38%	38%	38%
Floor Price (WTI Cdn $/bbl)	$80.00	$78.50	$78.50	$78.50
Ceiling Price (WTI Cdn $/bbl) (2)	-	$85.00	$85.00	$85.00

(1) Percent hedged is based on average natural gas production of 50 mmcf/d and 2,100 bbls/d of condensate and C5+.
(2) 400 bbls/d have upside to a ceiling price of $85.00 per barrel at a deferred cost of $4.02 per barrel.

2015 Guidance

The Company remains committed to a conservative approach to its capital spending plans in 2015 to preserve its financial flexibility. Capital spending for the second half of 2015 will be dependent upon realized commodity prices and level of service cost reductions. Maintenance capital requirements to keep production relatively flat to December 2014 rates for the entire year are forecast to be approximately $45.0 million, which is within forecasted cash flow generated at current commodity prices, including the Company's risk management program. While mitigation efforts by the Company are ongoing, downtime due to TCPL maintenance and pipeline inspections are expected to continue through most of the year. To allow for additional downtime until Delphi's firm transportation service starts with Alliance on December 1, 2015, the Company has expanded the range of its 2015 production expectations to 10,500 – 11,500 boe/d.

	2015 Guidance
Average Annual Production (boe/d)	10,500 – 11,500
Exit Production Rate (boe/d)	11,000 – 11,500
AECO Natural Gas Price (Cdn $ per mcf)	$2.50
WTI Oil Price (US $ per bbl)	$55.00
Net Capital Program ($ million)	$45.0 - $50.0
Well Count	4.0
Funds from Operations ($ million)	$45.0 – 50.0
Net Debt at December 31 ($ million)	$170.0 - $175.0
Net Debt / Q4 FFO (annualized)	3.3 - 3.5

Outlook

Delphi remains well positioned with its Bigstone Montney asset capable of long term sustainable growth with the large development inventory assembled on 139 sections of Montney lands together with ownership in strategic infrastructure. The business strategies and initiatives in place as outlined below serve to both mitigate the impacts of the current commodity price environment and enhance the Company's long term growth plans.

The Bigstone Montney well performance over time and the resulting top tier capital efficiencies is proving to be a primary differentiating element in successfully navigating through this challenging commodity price cycle. Overall, average well performance continues to be consistent with our type well expectations. The longer the Bigstone Montney wells produce, the more impressive the value of the free cash flow generating "tail" becomes. The Bigstone Montney play is a top tier play that remains economic in this current environment.

The balanced production mix on a revenue basis, with almost 75 percent of 2015 volumes and approximately 50 percent of 2016 total production hedged at prices well above current strip pricing provides significant downside protection in this environment.

Efforts to further reduce capital, operating and transportation costs are proceeding successfully and will further enhance the Company's profitability through this environment. Processing arrangements and firm service transportation contracts undertaken provide certainty to field processing and delivery to sales without onerous future take-or-pay obligations. This has become a critically important strategic element to producer's full cycle business as significant growth continues in the Deep Basin of northwest Alberta.

The Company remains committed to a conservative approach to its capital spending plans in 2015 to preserve its financial flexibility. Capital spending for the second half of 2015 will be dependent upon realized commodity prices and level of service cost reductions.

The Company also continues to pursue the rationalization of its legacy assets. Over the past three years, Delphi has generated $54.6 million of proceeds through dispositions which have been redeployed in the development of the Montney at Bigstone. The Company expects to launch a public sale process of its greater Wapiti and Hythe assets by the end of May. The objective of selling these assets at an acceptable price is to initially reduce the Company's financial leverage and accelerate the development of the Montney at Bigstone.

On behalf of the Board of Directors and all the employees of Delphi, we would like to thank our shareholders for their continued support.

On behalf of the Board,

David J. Reid,
President and Chief Executive Officer
May 12, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Management's discussion and analysis ("MD&A") has been prepared by management and reviewed and approved by the Board of Directors of Delphi Energy Corp. ("Delphi" or "the Company"). The discussion and analysis is a review of the financial position and results of operations of the Company. Its focus is primarily a comparison of the financial performance for the three months ended March 31, 2015 and 2014 and should be read in conjunction with the unaudited condensed consolidated interim financial statements and accompanying notes for the three months ended March 31, 2015 and 2014 and the audited consolidated financial statements and accompanying notes for the years ended December 31, 2014 and 2013 and the related MD&A. The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The reporting currency is the Canadian dollar. The discussion and analysis has been prepared as of May 12, 2015.

For the purpose of reporting production information, reserves and calculating unit prices and costs, natural gas volumes have been converted to a barrel of oil equivalent ("boe") using six thousand cubic feet equal to one barrel. A boe conversion ratio of 6:1 is based upon an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. This conversion conforms to the Canadian Securities Administrators' National Instrument 51-101 when boes are disclosed. Boes may be misleading, particularly if used in isolation.

Management uses certain measures that are not recognized under IFRS to help evaluate the performance of the Company. The following are terms and definitions contained within this MD&A that are not recognized measures under IFRS:

Funds from operations - cash flow from operating activities before accretion on long term and subordinated debt, decommissioning expenditures and changes in non-cash working capital from operating activities. Management uses funds from operations to analyze performance and considers it a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investments and to repay debt. Delphi's determination of funds from operations may not be comparable to that reported by other companies nor should it be viewed as an alternative to cash flow from operating activities, net earnings (loss) or other measures of financial performance calculated in accordance with IFRS.

Funds from operations per share - funds from operations divided by the number of common shares outstanding calculated using weighted average shares outstanding consistent with the calculation of earnings (loss) per share.

Adjusted working capital ratio – current assets include the undrawn portion of the senior credit facility and exclude the current portion of the fair value of financial instruments. Current liabilities exclude the current portion of long term debt and subordinated debt and the current portion of the fair value of financial instruments. This ratio is used to calculate the Company's compliance with its working capital ratio covenant.

Net debt to equity ratio - net debt is defined as long term debt and subordinated debt plus (minus) the working capital deficit (surplus) excluding the current portion of the fair value of financial instruments. Equity is equivalent to shareholders' equity. This ratio is used to calculate the Company's compliance with its net debt to equity ratio covenant.

Net debt to funds from operations ratio - net debt is defined as long term debt and subordinated debt plus (minus) the working capital deficit (surplus) excluding the current portion of the fair value of financial instruments. Funds from operations is defined as cash flow from operating activities before accretion of long term and subordinated debt, decommissioning expenditures and changes in non-cash working capital from operating activities. Delphi's most recently completed quarter's funds from operations is annualized (multiplied by four) for the calculation of this ratio. This ratio is used to calculate the Company's compliance with its net debt to funds from operations ratio covenant.

Total debt – the sum of long term debt and subordinated debt. This amount is used in management's calculation of net debt.

Net debt – the sum of total debt plus (minus) the working capital deficit (surplus) excluding the current portion of the fair value of the financial instruments. Net debt is used by management to monitor the remaining availability under its credit facilities.

Management considers netbacks as an important measure of the cash generating capability of the produced volumes. Netbacks are generally discussed and presented on a per boe basis.

Operating netbacks – crude oil and natural gas sales plus realized gains (losses) on financial instruments less royalties, operating and transportation costs. Management considers operating netbacks per boe an important measure of profitability relative to current commodity prices and costs of production.

Cash netbacks - operating netbacks less interest on total debt, general and administrative costs and cash costs related to the Company's restricted share units. Management considers cash netbacks per boe an important measure as it demonstrates the cash realized on each unit of production to be reinvested in future capital investment or repay debt.

DELPHI'S OPERATIONS

What is the nature of Delphi's business and where are its operations?

Delphi is a publicly-traded company with its corporate office in Calgary, Alberta, Canada. Delphi is engaged in the exploration for, development and production of crude oil and natural gas from properties and assets located in Western Canada in which it holds an interest. The Company's operations are primarily concentrated in the Deep Basin of North West Alberta, from which in excess of 90 percent of the Company's production is obtained. The Company has three primary core areas in the Deep Basin located at Bigstone, Hythe and Wapiti.

FIRST QUARTER 2015 ACCOMPLISHMENTS

What were the highlights of Delphi's operational and financial results for the first quarter of 2015?

In the first quarter of 2015, the Company achieved the following:

- Produced an average of 11,002 barrels of oil equivalent per day ("boe/d") in the first quarter of 2015, an increase of seven percent over the comparative quarter of 2014 despite downtime due to production curtailments. This downtime resulted in a reduction of volumes for the first quarter of approximately 500 boe/d;

- Successfully drilled two gross (1.7 net) wells as part of the Company's capital program and completed, tied-in and brought on production two gross (1.8 net) Montney wells in East Bigstone;

- Increased Montney production from 5,770 boe/d in the first quarter of 2014 to 7,210 boe/d in the first quarter of 2015, an increase of 25 percent;

- Maintained Montney natural gas liquids ("NGL") and field condensate yields at 95 barrels per million cubic feet ("bbls/mmcf") in the first quarter of 2015. Field and plant condensate yield was 66 bbls/mmcf or 70 percent of the total 95 bbls/mmcf; and

- Realized gains of $4.9 million from commodity price risk management contracts in the first quarter of 2015.

Funds from operations in the first quarter of 2015 were $10.8 million or $0.07 per basic and diluted share, compared to $20.4 million or $0.13 per basic share ($0.12 per diluted share) in the comparative quarter of 2014. The decrease in funds from operations in the first quarter of 2015 as compared to the same quarter in 2014 is primarily due to a significant decrease in commodity prices. For the three months ended March 31, 2015, Delphi recognized $4.5 million and $0.4 million in realized gains on its financial and physical commodity risk management contracts, respectively.

FIRST QUARTER 2015 OPERATIONAL AND FINANCIAL RESULTS

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Funds

	Three Months Ended March 31, 2015
Sources:	
Cash and cash equivalents	**3,130**
Funds from operations	**10,781**
	13,911
Uses:	
Capital expenditures	**17,269**
Accretion of subordinated and long term debt	**232**
Expenditures on decommissioning	**322**
Changes in non-cash working capital	**617**
	18,440
Change in long term debt	**4,529**

Net Debt

What is liquidity risk and how does the Company manage this risk?

As an oil and gas business, Delphi has a declining asset base and therefore relies on oil and gas property development and acquisitions to replace produced reserves. Future oil and natural gas production and growth in reserves are highly dependent on the success of exploiting the Company's existing asset base and/or acquiring additional lands or reserves. To the extent Delphi is successful or unsuccessful in these operations, cash flow could be increased or reduced.

Liquidity risk is the risk that Delphi will not be able to meet its financial obligations as they become due. Delphi actively manages its liquidity through daily, short term and long term cash, debt and equity management strategies. Such strategies encompass, among other factors: having adequate sources of financing available through its bank credit facilities, forecasting future cash generated from operations based on reasonable production and pricing assumptions, monitoring economic risk management opportunities and maintaining sufficient cash flows for compliance with financial debt covenants.

Delphi generally relies on operating cash flows and its credit facilities to fund ongoing capital requirements and provide liquidity. Future liquidity depends primarily on cash flow generated from operations, existing credit facilities and the ability to access debt and equity markets. From time to time, the Company accesses capital markets to meet its additional financing needs and to maintain flexibility in funding its capital expenditures program. There can be no assurance that future debt or equity financings, or cash generated from operations will be available or sufficient to meet these requirements or other corporate requirements or, if debt or equity financing is available, that it will be on terms acceptable to Delphi.

Delphi's results are affected by external market and risk factors, such as fluctuations in the prices of crude oil and natural gas, movements in foreign currency exchange rates and inflationary (deflationary) pressures on service costs. Volatility in crude oil and natural gas prices has resulted in a challenging environment for the energy sector. In response to this volatility and to preserve financial flexibility, Delphi is taking a conservative approach to its capital spending plans in 2015. Delphi will continue to monitor commodity prices and service cost reductions in order to manage its 2015 capital program. In addition, Delphi has an active commodity price risk management program in order to reduce its exposure to fluctuations in commodity prices and protect its future cash flows.

How much debt was outstanding on March 31, 2015?

At March 31, 2015, the Company had $98.6 million outstanding in the form of bankers' acceptances, $43.0 million drawn under Canadian-based prime loans, $19.7 million in subordinated debt and a working capital deficiency of $19.4 million for net debt of $180.7 million.

What are the Company's credit facilities and related covenants and when is the next scheduled review of the borrowing base?

The Company's senior extendible revolving term credit facility with a syndicate of Canadian chartered banks is subject to the banks' semi-annual review of the Company's crude oil and natural gas properties. It is a 364 day committed facility available on a revolving basis until May 25, 2015 at which time it may be extended at the lenders' option. If the revolving period is not extended, the undrawn portion of the facility will be cancelled and the amount outstanding will convert to a 365 day non-revolving term facility. The amounts outstanding under the non-revolving facility would be required to be repaid at the end of the non-revolving term being May 25, 2016. The non-extension provisions are applicable to the lenders on an individual basis.

Interest payable on amounts drawn under the facility is at the prevailing bankers' acceptance rates plus stamping fees, lenders' prime rate or U.S. base rate plus the applicable margins, depending on the form of borrowing by the Company. The applicable margins and stamping fees are based on a sliding scale pricing grid tied to the Company's trailing debt to annualized quarterly funds from operations ratio: from a minimum of the bank's prime rate or U.S. base rate plus 1.00 percent to a maximum of the bank's prime rate or U.S. base rate plus 2.50 percent or from a minimum of bankers' acceptances rate plus a stamping fee of 2.00 percent to a maximum of bankers' acceptances rate plus a stamping fee of 3.50 percent.

The syndicated credit facility is secured by a $300.0 million demand floating charge debenture and a general security agreement over all assets of the Company.

The annual review of the Company's $190.0 million extendible revolving term credit facility will be conducted prior to May 25, 2015. The borrowing base of the facilities will be based on the lenders' evaluation of the Company's petroleum and natural gas reserves at the time and commodity prices. A decrease in the borrowing base could result in a reduction to the credit facility, which may require a repayment to the lenders.

In addition to the syndicated credit facility, the Company has a $20.0 million subordinated demand credit facility with a Canadian energy and resource lender. The debt is secured by the Company's assets and subordinate to the Company's senior credit facility. The subordinated debt has a maturity date of June 30, 2016.

The subordinated debt has been classified as a current liability as it is secured by a $25.0 million demand floating charge debenture. The Company believes the lender has no intention of demanding repayment of the subordinated debt before the maturity date of June 30, 2016. At maturity, the Company expects to repay the subordinated debt through borrowings under its senior credit facility.

The subordinated debt has an annual coupon rate of 10.5 percent with interest payable monthly. A deferred fee of 1.5 percent of the facility is due upon maturity.

The senior credit facility and the subordinated demand credit facility are subject to the following financial covenants:

Financial covenant [(1)]	**Requirement**	**As at March 31, 2015**	**Facility subject to financial covenant**
Adjusted working capital ratio	$\geq$ 1.0 : 1.0	**1.8**	Senior, Subordinated
Net debt to equity ratio	< 1.0 : 1.0	**0.8**	Subordinated
Net debt to funds from operations ratio	$\leq$ 2.8 : 1.0	**4.2**	Subordinated

(1) The financial covenant calculations refer to measures that are non-IFRS. Please see the definitions of non-IFRS measures at the beginning of this MD&A.

Due to the significant drop in crude oil benchmark prices and a low natural gas price environment, the Company's net debt to funds from operations ratio as at March 31, 2015, exceeded the requirement of a ratio no greater than 2.8:1. On March 26, 2015, the Company obtained a non-compliance waiver from the lenders of the subordinated debt for the Company's net debt to funds from operations ratio covenant as at March 31, 2015. As a result of the non-compliance waiver, Delphi is in compliance with all of its covenants as at March 31, 2015.

Delphi's calculation of its adjusted working capital ratio and net debt to funds from operations ratio are as follows:

Adjusted working capital ratio	**As at March 31, 2015**
Current assets	31,576
Exclusion of the current fair value of financial instruments	(14,963)
Undrawn portion of senior credit facility	48,422
	65,035
Current liabilities	55,697
Exclusion of the current portion of subordinated debt	(19,670)
	36,027
Adjusted working capital ratio	1.8

Net debt to funds from operations ratio	As at March 31, 2015
Long term debt	141,578
Subordinated debt	19,670
Current liabilities	55,697
Exclusion of the current portion of subordinated debt	(19,670)
Current assets	(31,576)
Exclusion of the current fair value of financial instruments	14,963
Net debt	180,662
Funds from operations for the three months ended March 31, 2015	10,781
Annualized (multiplied by four)	43,124
Net debt to funds from operations ratio	4.2

Effective May 12, 2015, the subordinated debt lenders agreed to an amendment to certain financial covenants in response to the continued weak commodity pricing environment. The amendment no longer requires quarterly compliance with a net debt to funds from operations ratio and is now subject to a net debt to funds from operations ratio of no greater than 3.5 times at December 31, 2015.

Share Capital

How many common shares and stock options are currently outstanding?

As at May 12, 2015, the Company had 155.5 million common shares outstanding and 12.2 million share options outstanding. The share options have an average exercise price of $1.89 per option.

What has been the market activity in the Company's common shares?

The common shares of Delphi trade on the TSX under the symbol DEE. The following table summarizes outstanding share data for the three months ended March 31, 2015:

	Three Months Ended March 31, 2015
Weighted Average Common Shares (in thousands)	
Basic	**155,477**
Diluted	**155,714**
Trading Statistics [(1)]	
High	**1.54**
Low	**1.10**
Average daily volume (in thousands)	**532**

[(1)] Trading statistics based on closing price

BUSINESS ENVIRONMENT

What external factors of the business environment did the Company have to contend with in the first quarter of 2015?

The table below outlines the changes in the various benchmark commodity prices and economic parameters which affect the prices received for the Company's production.

Benchmark Prices and Economic Parameters

	Three Months Ended March 31		
	2015	2014	% Change
Natural Gas			
NYMEX (US $/mmbtu)	**2.82**	4.72	(40)
AECO (CDN $/mcf)	**2.75**	5.65	(51)
Crude Oil			
West Texas Intermediate (US $/bbl)	**48.57**	98.62	(51)
Edmonton Light (CDN $/bbl)	**51.61**	99.69	(48)
Foreign Exchange			
Canadian to U.S. dollar	**0.81**	0.91	(11)
U.S. to Canadian dollar	**1.24**	1.10	13

Natural Gas

In the first quarter of 2015, the daily AECO benchmark natural gas price decreased 51 percent in comparison to the same period in 2014. The average daily AECO price in the first quarter of 2014 appreciated unexpectedly due to extreme cold weather in North America, which caused a significant depletion in natural gas storage levels due to an increase in demand for natural gas. Due to record production levels of natural gas in North America, as well as a mild summer and average winter, the level of natural gas storage rebounded, causing gas prices to decline from the highs realized in the early part of 2014. So far in 2015, demand for heating remains weak and natural gas production continues to increase in comparison to the prior year. The daily AECO benchmark natural gas price decreased 24 percent in the first quarter of 2015 compared to the fourth quarter of 2014.

Natural Gas Liquids

Natural gas liquids include ethane, propane, butane, pentane and plant condensate and are generally priced off light oil and natural gas prices. Ethane prices are correlated to natural gas prices while propane and butane prices trade at a discount to light oil prices depending on supply/demand conditions. Demand for condensate in Alberta, as a diluent for transporting heavy oil, results in benchmark condensate prices at Edmonton generally trading at a premium to Canadian light oil prices.

Crude Oil

West Texas Intermediate ("WTI") averaged U.S. $48.57 per barrel in the first quarter of 2015, a decrease of 51 percent in comparison to the same period in 2014. Global supply/demand fundamentals for crude oil continue to be in an oversupply position as Organization of the Petroleum Exporting Countries ("OPEC") and U.S. production remains relatively strong, coupled with slower than anticipated global demand growth.

Canadian prices experienced a narrowing basis differential as well as a decline in the Canadian to U.S. dollar exchange rate. Edmonton Light averaged $51.61 per barrel in the first quarter of 2015, down 48 percent compared to the same period in 2014.

Canadian/United States Exchange Rate

The value of the Canadian dollar against its U.S. counterpart decreased to $0.81, an eleven percent decrease in comparison to the same period in 2014. As a producer of crude oil, a decline in the Canadian dollar has a positive effect on the price received for production.

DRILLING OPERATIONS

How active was Delphi in its drilling program in the first quarter of 2015?

Due to the significant decline in crude oil commodity prices, which is a reference price for the Company's field condensate production, and a weak natural gas price, Delphi is taking a conservative approach to its 2015 capital spending plans. In the first quarter of 2015, Delphi drilled two gross (1.7 net) wells which were focused on the Bigstone Montney formation. In comparison, Delphi drilled three gross (three net) wells in the first quarter of 2014 which were also focused on the Bigstone Montney formation.

	Three Months Ended March 31, 2015	
	Gross	**Net**
Liquids-rich natural gas	**2.0**	**1.7**
Success rate (%)	**100**	**100**

CAPITAL INVESTED

How much capital was invested by the Company in the first quarter of 2015 and where were the capital expenditures incurred?

During the first quarter of 2015, Delphi invested $17.3 million of capital expenditures, of which 81 percent was directed toward the drilling of two gross (1.7 net) wells and completion operations and equipping of two gross (1.8 net) wells, of which one well was drilled during the fourth quarter of 2014. Delphi invested $2.6 million or 15 percent of total capital invested during the first quarter of 2015, primarily toward pipeline tie-ins and plant infrastructure.

As of March 31, 2015, Delphi has a working interest in a total of 101.5 gross (86.8 net) sections of undeveloped land as part of 138.5 gross (117.1 net) sections of total land prospective for liquids-rich natural gas in the Montney formation, situated at its core area of Bigstone.

	Three Months Ended March 31		
	2015	2014	% Change
Land	**36**	39	(8)
Seismic	**10**	15	(33)
Drilling, completions and equipping	**14,006**	30,026	(53)
Facilities	**2,555**	6,044	(58)
Capitalized expenses	**662**	1,286	(49)
Total capital invested	**17,269**	37,410	(54)

PRODUCTION

What factors contributed to the production volumes?

Production volumes for the first quarter of 2015 averaged 11,002 boe/d, a seven percent increase over the comparative quarter in 2014. Production volumes have increased as a result of the Company's successful drilling program in the Montney formation at Bigstone partially offset by production curtailments impacting approximately 500 boe/d. During the first quarter of 2015, Delphi brought on stream two gross (1.8 net) wells. One well which was drilled in the fourth quarter of 2014 was brought on early in the first quarter and the second well was brought on in the latter part of the quarter. Production volumes from the Montney development in the first quarter of 2015 increased 25 percent to 7,211 boe/d from the 5,770 boe/d produced in the first quarter of 2014.

Delphi's production portfolio for the first quarter of 2015 was weighted 15 percent to field condensate, 15 percent to natural gas liquids and 70 percent to natural gas. This compares to a production portfolio for the comparative quarter in 2014 weighted 14 percent to field condensate, 14 percent to natural gas liquids, two percent crude oil and 70 percent to natural gas. Crude oil production is minimal in the first quarter of 2015 as the Company disposed of producing oil properties in Hythe during the third quarter of 2014.

	Three Months Ended March 31		
	2015	2014	% Change
Field condensate (bbls/d)	**1,592**	1,455	9
Natural gas liquids (bbls/d)	**1,698**	1,493	14
Crude oil (bbls/d)	**8**	242	(97)
Total crude oil and natural gas liquids	**3,298**	3,190	3
Natural gas (mcf/d)	**46,223**	42,673	8
Total (boe/d)	**11,002**	10,302	7

REALIZED SALES PRICES

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

For the first quarter of 2015, Delphi's combined realized sales price decreased 42 percent in comparison to the first quarter of 2014. The decrease is primarily a result of a reduction in all commodity market prices partially offset by an increase in physical and financial risk management contracts.

For the three months ended March 31, 2015, Delphi's realized natural gas price before risk management contracts decreased 58 percent in comparison to the same period in 2014. The decrease is due to a weakening AECO benchmark price due to a supply/demand imbalance, coupled with a reduction in the premium received for heating content and marketing. The reduction in the premium received for Delphi's heat content and marketing arrangements is primarily due to a change in the pricing structure of a certain marketing arrangement for natural gas sold in Alberta which is expected to continue until the end of November 2015. The decrease in Delphi's realized natural gas price before risk management contracts from the first quarter of 2014 to the first quarter of 2015 was partially offset by gains on physical and financial commodity risk management contracts.

Realized crude oil and field condensate prices were 32 percent lower in the three months ended March 31, 2015 compared to the three months ended March 31, 2014. The decrease is primarily due to a significant decline in Edmonton light as global crude oil prices have dropped due to the global supply/demand imbalance. Delphi's realized price for crude oil and field condensate experienced a differential to Edmonton light in first quarter of 2015 due to market demand. The decrease in Delphi's realized price for crude oil and field condensate before commodity risk management contracts from the first quarter of 2014 to the first quarter of 2015 was partially offset by gains on financial commodity risk management contracts.

Delphi's realized natural gas liquids price for the first quarter of 2015 decreased 65 percent compared to the first quarter of 2014. The decrease is a result of weakening commodity prices for all natural gas liquids, primarily in the realized sales price for propane, plant condensate and pentanes in combination with an increase in the sales volumes for these commodities.

	Three Months Ended March 31		
	2015	2014	% Change
AECO ($/mcf)	**2.75**	5.65	(51)
Heating content and marketing ($/mcf)	**(0.01)**	0.95	(101)
Realized price before risk management contracts ($/mcf)	**2.74**	6.60	(58)
Gain (loss) on physical contracts ($/mcf)	**0.10**	(0.11)	-
Gain (loss) on financial contracts ($/mcf)	**0.56**	(1.10)	-
Realized natural gas price ($/mcf)	**3.40**	5.39	(37)
Edmonton Light ($/bbl)	**51.61**	99.69	(48)
Quality differential ($/bbl)	**(1.02)**	2.43	(142)
Realized price before risk management contracts ($/bbl)	**50.59**	102.12	(50)
Gain (loss) on financial contracts ($/bbl)	**15.05**	(5.44)	-
Realized oil and field condensate price ($/bbl)	**65.64**	96.68	(32)
Realized natural gas liquids price ($/bbl)	**22.40**	63.30	(65)
Total realized sales price ($/boe)	**27.44**	47.45	(42)

RISK MANAGEMENT ACTIVITIES

What is Delphi's risk management strategy over the sales price it receives for its production and what contracts are in place to mitigate the risk of price volatility?

Delphi enters into both financial and physical commodity contracts as part of its risk management program to manage commodity price fluctuations designed to ensure sufficient cash is generated to fund its capital program particularly when commodity prices are extremely volatile.

With respect to financial contracts, which are derivative financial instruments, management has elected not to use hedge accounting and consequently records the fair value of its natural gas and crude oil financial contracts on the statement of financial position at each reporting period with the change in the fair value being classified as unrealized gains and losses in the consolidated statement of earnings (loss).

A summary of the Company's financial and physical commodity price risk management contracts are as follows:

Natural Gas Contracts

Time Period	Type of Contract	Average Quantity Contracted	Average Price ($/unit)		Reference
April 2013 – April 2015	Natural Gas - financial	3,000 GJ/d	$3.54	Cdn	AECO
April 2013 – December 2015	Natural Gas - financial	3,000 GJ/d	$3.27	Cdn	AECO
April 2013 – December 2016	Natural Gas - financial	3,000 GJ/d	$3.40	Cdn	AECO
June 2013 – December 2016	Natural Gas - financial	6,000 GJ/d	$3.45	Cdn	AECO
January 2015 – December 2015	Natural Gas - financial	2,500 GJ/d	$3.67	Cdn	AECO
January 2015 – December 2015	Natural Gas - financial	5,000 GJ/d	$3.69	Cdn	AECO
January 2015 – December 2015	Natural Gas - financial	2,500 GJ/d	$3.80	Cdn	AECO
April 2015 – June 2015	Natural Gas - physical	5,815 GJ/d	$2.51	Cdn	AECO
April 2015 - October 2015	Natural Gas - physical	6,000 mmbtu/d	$2.84	U.S.	Chicago
April 2015 – October 2015	Natural Gas - financial	2,000 GJ/d	$2.71	Cdn	AECO
April 2015 – October 2015	Natural Gas - financial	5,000 GJ/d	$3.23	Cdn	AECO
April 2015 – October 2015	Natural Gas - financial	2,500 GJ/d	$3.49	Cdn	AECO
April 2015 – October 2015	Natural Gas - financial	2,500 GJ/d	$3.62	Cdn	AECO
May 2015 – October 2015	Natural Gas - financial	3,000 GJ/d	$3.20	Cdn	AECO
November 2015	Natural Gas - physical	6,000 mmbtu/d	$3.27	U.S.	Chicago
November 2015	Natural Gas - financial	5,000 GJ/d	$2.92	Cdn	AECO
December 2015 – December 2016	Natural Gas - financial	5,000 mmbtu/d	$3.45	U.S.	NYMEX
December 2015 – December 2018	Natural Gas - financial	5,000 mmbtu/d	$3.55	U.S.	NYMEX
December 2015 – December 2018	Natural Gas - financial	5,000 mmbtu/d	$3.57	U.S.	NYMEX
January 2016 – December 2016	Natural Gas - financial	2,500 GJ/d	$3.69	Cdn	AECO
January 2017 – December 2017	Natural Gas - financial	2,500 GJ/d	$3.75	Cdn	AECO
January 2016 – December 2017	Natural Gas - financial	5,000 mmbtu/d	$3.86	U.S.	NYMEX

Crude Oil Contracts

Time Period	Type of Contract	Quantity Contracted	Price ($/unit)		Reference
January 2015 – December 2015	Crude Oil – financial put option (1)	1,220 bbls/d	$80.00	Cdn	WTI
January 2016 – December 2018	Crude Oil – financial	200 bbls/d	$78.46	Cdn	WTI
January 2016 – December 2018	Crude Oil – financial	200 bbls/d	$78.35	Cdn	WTI
January 2016 – December 2018	Crude Oil – financial collar (2)	400 bbls/d	$78.60 - $85.00	Cdn	WTI

(1) Delphi has two put option contracts for 250 bbls/d each at a floor price of $100.85 Cdn and $101.00 Cdn, respectively, acting as the purchaser of the put contracts. In exchange for the put contract entered into for the calendar year of 2015 for 1,220 bbls/d at a strike price of $80.00 per barrel, Delphi entered into an additional two put contracts with the same counterparty for 250 bbls/d each at a floor price of $100.85 Cdn and $101.00 Cdn, respectively, acting as the seller of the put contracts.

(2) The collar has a deferred cost of $4.02 per barrel.

The fair value of the financial contracts outstanding as at March 31, 2015 is estimated to be an asset of approximately $23.8 million. The fair values of these contracts are based on an approximation of the amounts that would have been paid to or received from counterparties to settle the contracts outstanding at the end of the period having regard to forward prices and market values provided by independent sources. Due to the inherent volatility in commodity prices, actual amounts realized may differ from these estimates.

For the three months ended March 31, 2015, the derivative commodity contracts resulted in a realized gain of $4.5 million and an unrealized gain of $3.7 million. The unrealized gain for the three months ended March 31, 2015, is the difference between the fair value of the commodity risk management contracts outstanding as at March 31, 2015 and the fair value as at December 31, 2014.

The Company accounts for Canadian dollar physical sales contracts, which were entered into and continue to be held for the purpose of delivery of production, in accordance with its expected sale requirements as executory contracts on an accrual basis rather than as non-financial derivatives.

What has the Company done to mitigate the effects of foreign exchange rate fluctuations?

Delphi has entered into the following U.S. dollar forward exchange contracts:

Time Period	**Notional U.S. $**	**Exchange Rate (Cdn$/U.S.$)**
May 2015 – December 2018	250	1.2574
June 2015 – December 2016	250	1.1965

What has the Company done to protect itself against an increase in interest rates?

Delphi has entered into an interest rate swap transaction on borrowings through bankers' acceptances in the amount of $30.0 million from May 2015 to May 2017. The swap transaction has a fixed interest rate of 0.875 percent.

REVENUE

How do revenues in the first quarter of 2015 compare to 2014 and what factors contributed to the change?

Delphi generated revenue of $22.7 million in the first quarter of 2015, a 54 percent decrease over the comparative period. The decrease in revenues is primarily due to a decline in commodity prices partially offset by higher natural gas, natural gas liquids and field condensate production. Crude oil revenue decreased primarily due to the disposition of oil producing properties in the third quarter of 2014.

For the first quarter of 2015, field condensate and natural gas liquids contributed to 47 percent of total revenues compared to 45 percent in the same period in 2014.

	Three Months Ended March 31		
	2015	2014	% Change
Natural gas	**11,378**	25,344	(55)
Natural gas physical contract gains (loss)	**410**	(414)	-
Field condensate	**7,260**	13,501	(46)
Natural gas liquids	**3,424**	8,505	(60)
Crude oil	**25**	2,100	(99)
Sulphur	**153**	10	1,430
Total	**22,650**	49,046	(54)

ROYALTIES

What were royalty costs in the first quarter of 2015?

For the first quarter of 2015, royalties totaled $1.3 million compared to $7.7 million in the same period in 2014. Crown royalties decreased as a result of lower commodity prices, as well as a reduction in crude oil Crown royalties due to the disposition of producing oil properties in the third quarter of 2014. Crown royalty credits increased in the first quarter of 2015 compared to the first quarter of 2014 as a result of higher credits related to the Company's Montney facilities. Approximately $0.7 million of the increase in the Crown royalty credits relate to 2014 as a result of the Crown's adjusted cost base used in the calculation of the credits. The cost base used by the Crown is determined on the prior year facility expenditures and as a result of the Company's focus on infrastructure in the Montney in 2014, the cost base used in the calculation has increased.

Gross overriding royalties in the first quarter of 2015 decreased from $4.4 million in the first quarter of 2014 to $1.9 million. The decrease is primarily due to lower commodity prices and the disposition of producing oil properties in the third quarter of 2014 which were encumbered by gross overriding royalties.

	Three Months Ended March 31		
	2015	2014	% Change
Crown royalties	**1,570**	4,713	(67)
Royalty credits	**(2,142)**	(1,471)	46
Crown royalties – net	**(572)**	3,242	118
Gross overriding royalties	**1,917**	4,421	(57)
Total	**1,345**	7,663	(82)
Per boe	**1.36**	8.26	(84)

What were the average royalty rates paid on production in the first quarter of 2015?

For the three months ended March 31, 2015, the average royalty rate decreased to six percent, down from the 15.5 percent in the comparative period in 2014. The decrease in the average royalty rate is primarily due to additional Crown credits related to the Company's Montney facilities of $1.0 million, of which $0.7 million relates to 2014, and the decline in commodity prices. The gross overriding royalty rate decreased three percent in the first quarter of 2015 compared to the first quarter of 2014 as a result of the disposition of producing oil properties in the third quarter of 2014 which were encumbered by gross overriding royalties.

	Three Months Ended March 31		
	2015	2014	% Change
Crown rate – net of royalty credits	**(2.6%)**	6.6%	(139)
Gross overriding rate	**8.6%**	8.9%	(3)
Average rate	**6.0%**	15.5%	(61)

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

OPERATING EXPENSES

How do operating expenses in the first quarter of 2015 compare to 2014?

Production costs for the three months ended March 31, 2015 decreased six percent over the comparative period in 2014. The decrease is primarily due to cost savings in processing fees for the Company's Montney production. The reduction in processing fees is a result of moving the Company's Montney raw natural gas for processing from the SemCams KA processing facility to the SemCams K3 processing facility during the third quarter of 2014.

Delphi earns processing income for third party production volumes going through facilities owned by the Company. The processing income represents a reduction of the Company's costs to operate these facilities and hence is deducted in determining operating expenses. Processing income indicates the Company has excess capacity at its facilities which it can access to handle growth in its production volumes. Processing income increased 31 percent in the three months ended

March 31, 2015 compared to the same period in 2014. The increase in processing income is a result of the growth in partner production being processed through the Company's Montney facilities and processing income earned from the natural gas processing plant acquired in the fourth quarter of 2014.

	Three Months Ended March 31		
	2015	2014	% Change
Production costs	**9,121**	9,658	(6)
Processing income	**(894)**	(682)	31
Total	**8,227**	8,976	(8)
Per boe	**8.31**	9.68	(14)

TRANSPORTATION EXPENSES

What factors contributed to the change in transportation costs in the first quarter of 2015?

For the three months ended March 31, 2015, transportation expenses decreased ten percent as compared to the same period in 2014. The decrease in transportation is primarily due to lower gas gathering fees for the Company's Montney natural gas production. The decrease in gas gathering fees reflects the cost savings from the completion of pipeline connections to deliver its Montney production to the SemCams K3 processing facility in the third quarter of 2014 rather than going through a third party pipeline to the SemCams KA processing facility.

The decrease in transportation expenses was partially offset by higher field condensate trucking as a result of an increase in field condensate production due to the development of the condensate rich Montney play in Bigstone. Field condensate trucking charges increase specifically when new wells are brought on stream in the Bigstone area due to the high levels of field condensate produced. Treatment facilities in the Bigstone area have been extremely busy due to the significant number of Montney and Duvernay wells completed in the area. This has resulted in a shortage of off-take capacity at the treatment facilities causing trucks to drive further to deliver product at other terminals or incur additional charges for waiting times at the facilities. Delphi has mitigated trucking charges related to waiting times to some extent by doubling the field condensate tank storage capacity to 6,000 barrels.

	Three Months Ended March 31		
	2015	2014	% Change
Total	**3,372**	3,756	(10)
Per boe	**3.41**	4.05	(16)

GENERAL AND ADMINISTRATIVE

How do general and administrative costs in the first quarter of 2015 compare to 2014?

General and administrative ("G&A") expenses (after recoveries and allocations) for the three months ended March 31, 2015 were comparable to the same period in 2014.

Gross expenses in the first quarter of 2015 are 29 percent lower than the comparative period primarily due to lower personnel costs. Overhead recoveries decreased 28 percent over the comparative period primarily due to a lower capital program in the first quarter of 2015 compared to the first quarter of 2014. Salary allocations decreased 48 percent over the comparative period in 2014 as a result of lower personnel costs.

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

	Three Months Ended March 31		
	2015	2014	% Change
Gross expenses	**2,581**	3,647	(29)
Overhead recoveries	**(420)**	(581)	(28)
Salary allocations	**(893)**	(1,721)	(48)
General and administrative expenses	**1,267**	1,345	(6)
Per boe	**1.28**	1.45	(12)

SHARE-BASED COMPENSATION

What is share-based compensation expense?

Share-based compensation expense is the amortization over the vesting period of the fair value of stock options and restricted share units ("RSUs") granted to employees, directors and key consultants of the Company. The fair value of RSUs is based on the Company's closing share price on the last business day immediately preceding the vesting date or the Company's closing share price on the last business day immediately preceding the statement of financial position date. The fair value of all options granted is estimated at the date of grant using the Black-Scholes option pricing model.

Share-based compensation expense related to the Company's option plan increased 28 percent for the three months ended March 31, 2015 as compared to the same period in 2014. The increase is primarily due to the granting of options subsequent to the first quarter of 2014 with a higher weighted average fair value per option in comparison to the fair value of the options granted in 2013.

Share-based compensation expense related to the Company's RSUs decreased in the three months ended March 31, 2015 in comparison to the same period in 2014. The decrease in the expense for the first quarter of 2015 compared to the same quarter in 2014 is due to a lower closing share price as at March 30, 2015 compared to March 30, 2014 in combination with a decrease in outstanding units. Capitalized share-based compensation decreased in the three months ended March 31, 2015 in comparison to the same period in 2014 as a result of a decrease in outstanding RSUs.

	Three Months Ended March 31		
	2015	2014	% Change
Share-based compensation – Options	**648**	508	28
Share-based compensation – RSUs	**125**	1,051	(88)
Capitalized costs	**(287)**	(476)	(40)
Net	**486**	1,083	(55)
Per boe	**0.49**	1.17	(59)

FINANCE COSTS

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

Interest charges increased 19 percent in the first quarter of 2015 in comparison to the same period in 2014 as a result of a higher average debt balance partially offset with lower interest rates charged on the Company's outstanding bankers' acceptances. The bankers' acceptances outstanding at March 31, 2015 have terms ranging from 91 to 182 days and a weighted average effective interest rate of 4.03 percent over the term.

Accretion and finance charges are non-cash and comprised of accretion expense on the Company's decommissioning obligations and the accretion of the Company's subordinated debt.

The accretion of decommissioning obligations is an expense that relates to the passing of time until the Company estimates it will retire its assets and restore the asset locations to a condition which meets or exceeds environmental standards. Due to the long term nature of certain assets of the Company, this accretion expense is estimated to extend over a term of one to 63 years. The reduction in accretion expense is due a decrease in risk-free interest rates which is used in the calculation for determining the accretion expense.

The finance charge associated with the Company's subordinated debt is based on the effective interest rate method in order to amortize the prepaid finance fees and to accrete the subordinated debt balance to its face value of $20.0 million plus a deferred fee of 1.5 percent.

	Three Months Ended March 31		
	2015	2014	% Change
Interest	**2,178**	1,832	19
Accretion	**239**	294	(19)
Finance charges	**123**	113	9
Total finance costs	**2,540**	2,239	13
Interest per boe	**2.20**	1.98	11
Accretion per boe	**0.24**	0.32	(25)
Finance charges per boe	**0.12**	0.12	-

DECOMMISSIONING EXPENSE

What does the decommissioning expense relate to?

For the three months ended March 31, 2015, the Company recognized $0.3 million of decommissioning expense. The decommissioning expense is the difference between decommissioning expenditures incurred in the period and the carrying amount of the Company's decommissioning obligation for those specific assets. The expense recorded relates to difficulties experienced during the abandonment of a well in British Columbia.

DEPLETION, DEPRECIATION AND IMPAIRMENT

Has the Company's depletion and depreciation rate and expense changed in the first quarter of 2015 compared to 2014?

Depletion and depreciation for the three months ended March 31, 2015 increased four percent compared to the same period in 2014. The increase is primarily due to higher production volumes partially offset by a decrease in the depletion rate. The depletion rate for the first quarter of 2015 decreased primarily due to a reduction in the cost base for cash generating units ("CGU") that were impaired in the fourth quarter of 2014 in combination with an increase in the reserve base for the Bigstone CGU.

	Three Months Ended March 31		
	2015	2014	% Change
Depletion and depreciation	**10,609**	10,235	4
Depletion and depreciation per boe	**10.71**	11.04	(3)

INCOME TAXES

What was the impact on deferred income taxes as a result of the loss for the period?

Delphi recorded a deferred income tax expense of $0.7 million for the three months ended March 31, 2015 compared to a deferred income tax expense of $0.3 million for the three months ended March 31, 2014. The increase in the deferred income tax is due to an increase in earnings. Deferred taxes arise from differences between the accounting and tax bases of the Company's assets and liabilities.

	Three Months Ended March 31		
	2015	2014	% Change
Deferred income taxes recovery	**734**	288	155
Per boe	**0.74**	0.31	139

FUNDS FROM OPERATIONS

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

Funds from operations is a non-IFRS measure that has been defined by the Company and is used as a measure to analyze performance. Delphi considers funds from operations a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investments and to repay debt. Funds from operations is calculated as cash flow from operating activities before accretion on long term and subordinated debt, decommissioning expenditures and changes in non-cash working capital.

How do cash flow from operating activities and funds from operations in the first quarter of 2015 compare to 2014?

Delphi's cash flow from operating activities of $12.2 million for the three months ended March 31, 2015 decreased $11.6 million compared to the same period in 2014. Delphi's funds from operations of $10.8 million for the three months ended March 31, 2015 decreased $9.6 million compared to the same period in 2014. The decrease in cash flow from operations and funds from operations is primarily due to a significant decline in commodity prices partially offset by lower royalties, realized gains on its commodity risk management contracts and reduced operating and transportation costs.

	Three Months Ended March 31		
	2015	2014	% Change
Cash flow from operating activities	**12,180**	23,769	(49)
Accretion of subordinated and long term debt	**232**	(574)	-
Decommissioning expenditures	**322**	191	69
Change in non-cash working capital	**(1,953)**	(2,977)	(34)
Funds from operations	**10,781**	20,409	(47)

CASH NETBACK AND EARNINGS ANALYSIS

What factors contributed to the earnings in the first quarter of 2015?

Delphi's net earnings increased $1.3 million in the first quarter of 2015 compared to the same period in 2014. The decline in crude oil and natural gas sales was offset by lower royalties and gains on the Company's realized and unrealized commodity price risk management contracts. In the first quarter of 2015, Delphi recorded a loss on decommissioning and higher depletion and depreciation expense, finance costs and deferred income taxes in comparison to the first quarter of 2014. The increase in these expenses were offset by a reduction operating, transportation and share-based compensation expenses. The reductions experienced in the first quarter of 2015 are a result of changing processing facilities for the Company's Montney liquids-rich natural gas production during the third quarter of 2014 in combination with using Company owned infrastructure to transport the raw natural gas to the SemCams K3 processing facility.

	Three Months Ended March 31		
	2015	2014	% Change
Net earnings	**1,995**	723	176
Per boe	**0.01**	-	-
Per basic and diluted share	**0.01**	-	-

How do Delphi's netbacks achieved in the first quarter of 2015 compare to 2014?

Delphi continues to focus its drilling on liquids-rich natural gas plays in order to mitigate low natural gas prices and to strengthen its operating and cash netback per boe.

For the first quarter of 2015, Delphi's cash net back per boe decreased 51 percent compared to the first quarter of 2014. The decrease in the cash netback is primarily due to a decline in the Company's realized sales price as commodity prices significantly decreased in the first quarter of 2015 compared to the first quarter of 2014. The decrease in the realized sales price per boe was partially offset by a reduction in royalties and operating and transportation expenses. Interest per boe increased eleven percent due to higher interest costs as a result of a higher average debt balance and was partially offset by a decrease in G&A per boe.

	Three Months Ended March 31		
	2015	2014	% Change
Barrels of oil equivalent ($/boe)			
Realized sales price	**27.44**	47.45	(42)
Royalties	**1.36**	8.26	(84)
Operating expenses	**8.31**	9.68	(14)
Transportation	**3.41**	4.05	(16)
Operating netback	**14.36**	25.46	(44)
General and administrative expenses	**1.28**	1.45	(12)
Paid out restricted share units	**-**	0.01	-
Interest	**2.20**	1.98	11
Cash netback	**10.88**	22.02	(51)
Unrealized loss (gain) on commodity risk contracts	**(3.75)**	8.29	(145)
Share-based compensation expense	**0.49**	1.16	(58)
Loss on decommissioning	**0.31**	-	-
Depletion, depreciation and impairment	**10.71**	11.04	(3)
Accretion and finance charges	**0.36**	0.44	(18)
Deferred income taxes	**0.74**	0.31	139
Net earnings	**2.02**	0.78	159

SELECTED INFORMATION

Over the past two years, how has Delphi performed and what significant factors contributed to the results?

Over the past two years, the changes in revenue and funds from operations from quarter to quarter primarily reflect the change in production volumes, product mix and the volatility of commodity prices.

Delphi's focus over the past eight quarters has been to exploit its liquids-rich resource at Bigstone, Alberta in order to maximize operating netbacks. In 2013, the Company commenced utilizing a new slickwater hybrid completion technique on its wells drilled, which significantly decreased initial production decline rates and improved productivity. In 2014, Delphi increased its capital expenditures, before acquisitions, by 40 percent. The $100.9 million capital investment was directed toward the drilling of eight gross (7.6 net) wells and the construction of important infrastructure in the Bigstone area. In addition to the expansion of the Company's 100 percent owned compression and dehydration facility located in East Bigstone, Delphi completed pipeline connections to deliver its Montney natural gas and natural gas liquids production from its two East Bigstone facilities to the SemCams K3 processing facility. As a result of the Company's success in developing the Montney play in Bigstone, Delphi achieved record production of 12,035 boe/d in the fourth quarter of 2014. In 2014, Delphi spent $8.8 million on the acquisition of undeveloped properties and $8.9 million on the acquisition of developed properties, including a natural gas processing facility which were partially funded by proceeds on disposition of $16.6 million.

So far in 2015, Delphi remains conservative on its capital expenditures in order to maintain financial flexibility. Record production levels for natural gas and crude oil have created a supply/demand imbalance which has significantly negatively impacted commodity prices. Delphi experienced a 42 percent reduction in its realized sales price per boe as a result of the decline in commodity prices. In the first quarter 2015, the Company experienced savings in royalties and operating and transportation expenses. In the three months ended March 31, 2015, Delphi drilled two gross (1.7 net) wells and brought on production two gross (1.8 net) wells, of which one was drilled during the fourth quarter of 2014. Production in the first quarter of 2015 averaged 11,002 boe/d, a seven percent increase over the comparative quarter in 2014 and a nine percent decrease over the fourth quarter of 2014.

Net earnings (loss) of the Company are primarily driven by the difference between the cash netback realized per boe of production versus the Company's depletion and depreciation rate, unrealized losses on commodity risk management contracts and other non-cash charges. Overall finding and development ("F&D") costs were $9.43 per proved plus probable boe in 2013 versus $10.35 per proved plus probable boe in 2014.

The following table sets forth certain information of the Company for the past eight consecutive quarters outlining this performance:

	Mar. 31, 2015	Dec. 31, 2014	Sep. 30, 2014	Jun. 30, 2014	Mar. 31, 2014	Dec. 31, 2013	Sep. 30, 2013	Jun. 30, 2013
Production								
Oil and field condensate (bbls/d)	**1,600**	1,692	1,396	1,583	1,697	1,242	1,035	988
Natural gas liquids (bbls/d)	**1,698**	2,020	1,356	1,807	1,493	1,286	1,294	1,115
Natural gas (mcf/d)	**46,223**	49,939	40,251	42,040	42,673	38,761	38,807	33,189
Barrels of oil equivalent (boe/d)	**11,002**	12,035	9,461	10,397	10,302	8,988	8,797	7,635
Financial								
Petroleum and natural gas revenue	**22,650**	35,534	35,117	44,173	49,046	29,459	25,666	23,541
Funds from operations	**10,781**	15,869	14,221	14,660	20,409	11,352	9,972	8,408
Per share – basic	**0.07**	0.10	0.09	0.09	0.13	0.07	0.07	0.05
Per share – diluted	**0.07**	0.10	0.09	0.09	0.12	0.07	0.06	0.05
Net earnings (loss)	**1,995**	(25,588)	12,163	5,439	723	(16,100)	1,208	3,209
Per share – basic	**0.01**	(0.16)	0.08	0.04	-	(0.11)	0.01	0.02
Per share – diluted	**0.01**	(0.16)	0.08	0.03	-	(0.11)	0.01	0.02

CONTRACTUAL OBLIGATIONS

Does the Company have any contractual obligations as of March 31, 2015 that will require funding in future years?

The Company is committed to future minimum payments for natural gas transmission and processing and operating leases on compression equipment. The Company also has a lease for office space in Calgary, Alberta. As noted above, the senior credit facility is based on a revolving term which is reviewed annually and converts to a 365 day non-revolving term facility if not renewed.

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

	2015	2016	2017	2018	2019	Thereafter
Gathering, processing and transmission (1)	6,806	21,952	27,639	28,458	28,016	23,248
Office, equipment and software leases	1,624	1,414	991	-	-	-
Outstanding cheques	4,401	-	-	-	-	-
Accounts payable and accrued liabilities (2)	30,195	-	-	-	-	-
Decommissioning obligations (3)	478	396	637	10,182	810	37,958
Restricted share units	953	298	59	-	-	-
Interest payments on subordinated debt	1,575	1,044	-	-	-	-
Long term debt	-	141,578	-	-	-	-
Subordinated debt	-	20,300	-	-	-	-
Total	46,032	186,982	29,326	38,640	28,826	61,206

(1) Balances denominated in US dollars have been translated at the March 31, 2015 exchange rate.
(2) Excludes the current portion of the restricted share units as they are disclosed separately on this table.
(3) Amounts represent the inflated, discounted future abandonment and reclamation expenditures anticipated to be incurred over the life of the Company's properties.

During the fourth quarter of 2014, Delphi entered into an agreement with Alliance Pipeline Ltd. for full path service to deliver up to 62.8 million cubic feet per day ("mmcf/d") of natural gas volumes by the end of 2017 into the Chicago gas market as follows:

	Dec. 2015 to Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Years 2018 - 2020
Volumes (mmcf/d)	35.3	40.3	45.3	50.3	50.3	55.3	60.3	62.8	62.8

Delphi's first quarter average natural gas production was 46.2 mmcf/d.

GUARANTEES AND OFF-BALANCE SHEET ARRANGEMENTS

Does Delphi have any outstanding guarantees on behalf of third parties or any off-balance sheet arrangements which could lead to liabilities in the future?

Delphi has not entered into any guarantees or off-balance sheet arrangements. Certain lease agreements entered into in the normal course of operations could be considered off-balance sheet arrangements; however, all leases which are considered operating leases are charged to operating expenses or general and administrative expenses on a monthly basis according to the lease.

CRITICAL ACCOUNTING ESTIMATES

In preparing the Company's consolidated financial statements, is Delphi required to make estimates or assumptions about future events?

The reader is advised that the critical accounting estimates, judgments, policies and practices as described in the Company's Management's Discussion and Analysis for the year ended December 31, 2014 continue to be critical in determining Delphi's financial results.

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

NEW ACCOUNTING STANDARDS

Did the Company adopt any new standards and are there any future accounting standards which the Company will have to comply with in the future?

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

In May of 2014, the International Accounting Standards Board ("IASB"), issued "Accounting for Acquisitions of Interests in Joint Operations", amendments to IFRS 11, "Joint Arrangements." The amendments require business combination accounting to be applied to the acquisitions of interests in a joint operation that constitute a business. The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The Company does not anticipate early adoption of this standard and the extent of the impact of adoption of the standard has not yet been determined.

The IASB has issued IFRS 15, "Revenue from Contracts with Customers", which contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The standard has a current effective date of January 1, 2107; however, the IASB has proposed to defer the effective date to January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

The IASB has issued IFRS 9, "Financial Instruments", which is the result of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The standard has an effective date of January 1, 2018. The Company is currently evaluating the impact of adopting this standard.

CORPORATE GOVERNANCE

Overview

The shareholders' interests are a critical factor in the operations and management of Delphi. The Company is committed to maintaining the highest level of investor confidence in the Company through the application of its corporate policies and procedures. Delphi's Board of Directors consists of six independent directors and two officers of the Company who meet regularly to discuss matters of strategy and execution of the business plan. See Delphi's Management Information Circular and Annual Information Form for a listing of committees that oversee specific aspects of the Company's operating and financial strategy.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management, including its President and Chief Executive Officer and Senior Vice President, Finance and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The President and Chief Executive Officer and Senior Vice President, Finance and Chief Financial Officer have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles applicable to the Company. The Company's internal controls over financial reporting is based on the framework in Internal Control over Financial Reporting – Guidance for Smaller Public Companies issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework).

The Company is required to disclose any change in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2015 and ended on March 31, 2015 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. No material changes in the Company's internal control over financial reporting were identified during such period that has materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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

2015 OUTLOOK AND FORWARD-LOOKING INFORMATION

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

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

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

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

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

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

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

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

PRODUCTION

What are the Company's production expectations for 2015?

The Company's average annual production in 2015 will be dependent upon the number of wells drilled, funded by cash flow, resulting in production between 10,500 and 11,500 boe/d. The production is expected to be split 30 percent to liquids and 70 percent to natural gas.

REVENUES

What does the Company project for crude oil and natural gas prices and the Canadian/United States exchange rate in 2015?

Natural Gas

United States natural gas prices are commonly referenced to the New York Mercantile Exchange Henry Hub in Louisiana ("NYMEX") while Canadian natural gas prices are typically referenced to the Canadian Alberta Energy Company interconnect with the TransCanada Alberta system ("AECO"). Natural gas prices are primarily influenced by North American, rather than global, supplies of natural gas versus domestic demand for winter heating and the generation of electricity for summer cooling requirements. Over the past six years, multi-stage hydraulic fracturing technology has unlocked significant natural gas resource potential in numerous shale basins in North America which are capable of initially producing at very high rates of natural gas before declining and producing for a long time. The United States has significantly grown its supply of dry gas to meet domestic demand over that same period of time further influencing the dynamics of the natural gas markets.

So far in 2015, natural gas storage levels have increased to levels higher than last year and slightly lower than the five year average. The increase in the storage levels compared to last year reflects both lower than expected heating demand this past winter and higher natural gas production. As a result of the high natural gas inventory storage levels and strong natural gas production rates, the average price for AECO in the first three months of 2015 was $2.75 per thousand cubic feet ("mcf"). Consequently, Delphi is managing its forecast for AECO natural gas prices to average between $2.25 and $2.75 per mcf for the entire year.

Crude Oil

West Texas Intermediate at Cushing, Oklahoma is the benchmark reference for North American crude oil prices. Canadian crude oil prices are based upon postings, primarily at Edmonton, Alberta and represent the WTI price adjusted for quality and transportation differentials as well as the Canadian/United States ("Cdn/US") dollar exchange rate. The fundamental supply/demand equation for crude oil is imbalanced as global supply exceeds global demand. Global production has been increasing since the second quarter of 2014, primarily due to previously shut-in production from certain countries that are part of the OPEC coming back online and a significant increase in production by non-OPEC countries, particularly, the United States. Global demand is impacted by a slowing economy in China and increased energy efficiency in developed nations.

Due to this imbalance in supply and demand for crude oil, Delphi is currently managing its capital program based on an average WTI price for 2015 of U.S. $50.00 to U.S. $60.00 per barrel.

Canadian/United States Exchange Rate

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

In 2014 and into 2015, the Canadian dollar has weakened relative to the U.S. dollar. The exchange rate is influenced by many variables which will continue to result in volatility. Delphi has assumed that the Canadian dollar will average between $0.80 and $0.85 Cdn. to U.S. dollar.

ROYALTIES

What average royalty rate does Delphi expect to pay in 2015?

The Company pays royalties to provincial governments, individuals and companies that own surface and/or mineral rights and Companies that have been granted an overriding royalty. These payments take the form of Crown, freehold and overriding royalties. Crown royalty rates for crude oil and natural gas are generally calculated on a sliding scale based on commodity prices and production rates whereas freehold and overriding royalty rates are generally a fixed percentage of revenue less the cost to deliver the product to market. Crown royalty rates can change due to price fluctuations or changes in production volumes on a well by well basis subject to minimum and maximum rates. For natural gas liquids, Crown royalty rates are a fixed percentage of revenue with the rate varying according to the nature of the product. Crown royalty credits are received from the Crown and represent the fee earned by the owners of natural gas processing infrastructure to process the Crown's royalty share of natural gas. Freehold royalties are paid on freehold lands and overriding royalties are generally payable on lands where the Company has earned an interest in the lands through a farm-in, whether the lands are Crown or freehold. Crown royalties are also influenced by royalty incentives provided by the provincial governments to stimulate drilling activity by the industry. Delphi expects the royalty regime in Alberta to remain stable throughout 2015. Royalties are not affected by gains or losses realized through the Company's risk management program.

For 2015, Delphi expects its royalty rate, after the deduction for royalty credits to average between twelve and 14 percent of gross revenue, excluding realized and unrealized gains or losses on commodity risk management contracts.

TRANSPORTATION EXPENSES AND OPERATING COSTS

Will Delphi be able to further reduce its costs of production in 2015?

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

Delphi expects its transportation expenses to be approximately $3.00 to $3.25 per boe in 2015. Transportation expenses are subject to the availability of pipeline capacity on an interruptible basis in areas of significant production growth by industry. Delphi does not anticipate having any issues moving its production to sales.

The costs of production may be more than expected in periods of very high industry activity causing considerable competition and rising prices for general oilfield services and equipment. With the growth in Montney production as a percentage of total production, operating costs are expected to increase due to sour gas processing through non-operated facilities. Operating costs in 2015 are expected to average $8.25 to $8.50 per boe.

GENERAL & ADMINISTRATIVE AND FINANCE COSTS

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

In 2015, Delphi anticipates its general and administrative costs, net of capitalized amounts, to be approximately $1.70 to $1.90 per boe, very similar to 2014.

Interest costs will be dependent on market rates and credit spreads for the oil and gas sector and will be a function of the general economic conditions in Canada. If the economy is viewed as growing too fast, which may result in inflation, interest rates may be increased to slow down the pace of growth in the economy. Interest costs may also increase if funds from operations are less than expected and long term debt is used to fund a larger portion of the capital program than originally anticipated. The Company expects the Canadian prime rate to remain stable in 2015. Interest expense is expected to be approximately $2.25 to $2.50 per boe in 2015.

CAPITAL PROGRAM AND NET DEBT LEVELS

What are the Company's forecast capital expenditures and net debt levels for 2015?

The Company expects 2015 net capital expenditures to be between $45.0 and $60.0 million to drill, complete and tie-in four to six wells dependent on commodity prices and hence funds from operations. The ability to drill, complete and tie in wells assumes the availability of equipment and field personnel to undertake the operations. Historically, Delphi executes a winter capital program in excess of first quarter cash flow followed by at least one quarter of minimal activity prior to returning to the field with an active summer/fall program.

The Company is targeting net debt at December 31, 2015 to be between $170.0 and $175.0 million.

ADDITIONAL INFORMATION

Where is additional information about Delphi available?

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

DELPHI ENERGY CORP.

Condensed Consolidated Statements of Financial Position

(thousands of dollars)	**March 31, 2015**	December 31, 2014
(unaudited)		
Assets		
Current assets		
Cash and cash equivalents	**-**	3,130
Accounts receivable	**13,668**	18,518
Prepaid expenses and deposits	**2,945**	3,099
Fair value of financial instruments (Note 5)	**14,963**	16,873
	31,576	41,620
Fair value of financial instruments (Note 5)	**8,827**	3,203
Exploration and evaluation (Note 6)	**18,781**	18,609
Property, plant and equipment (Note 7)	**425,276**	418,317
Total assets	**484,460**	481,749
Liabilities		
Current liabilities		
Outstanding cheques	**4,401**	-
Accounts payable and accrued liabilities	**31,148**	41,097
Decommissioning obligations	**478**	477
Subordinated debt (Note 8)	**19,670**	19,547
	55,697	61,121
Restricted share units	**357**	306
Long term debt (Note 8)	**141,578**	137,281
Decommissioning obligations	**49,983**	49,573
Deferred income taxes	**3,978**	3,244
Total liabilities	**251,593**	251,525
Shareholders’ equity		
Share capital (Note 9)	**309,342**	309,342
Contributed surplus	**18,257**	17,609
Deficit	**(94,732)**	(96,727)
Total shareholders’ equity	**232,867**	230,224
Total liabilities and shareholders’ equity	**484,460**	481,749

See accompanying notes to the condensed consolidated interim financial statements.

DELPHI ENERGY CORP.

Condensed Consolidated Statements of Earnings and Comprehensive Income
For the three months ended March 31,

(thousands of dollars, except per share amounts)	**2015**	2014
(unaudited)		
Revenues		
Crude oil and natural gas sales	**22,650**	49,046
Royalties	**(1,345)**	(7,663)
	21,305	41,383
Realized gain (loss) on financial instruments (Note 5)	**4,520**	(5,051)
Unrealized gain (loss) on financial instruments (Note 5)	**3,714**	(7,687)
	29,539	28,645
Expenses		
Operating	**8,227**	8,976
Transportation	**3,372**	3,756
General and administrative	**1,267**	1,345
Share-based compensation	**486**	1,083
Loss on decommissioning	**309**	-
Depletion and depreciation (Note 7)	**10,609**	10,235
	24,270	25,395
Finance costs	**2,540**	2,239
Earnings before income taxes	**2,729**	1,011
Income taxes		
Deferred income taxes	**734**	288
Net earnings and comprehensive income	**1,995**	723
Net earnings per share (Note 9)		
Basic	**0.01**	-
Diluted	**0.01**	-

See accompanying notes to the condensed consolidated interim financial statements.

DELPHI ENERGY CORP.

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

(thousands of dollars)	**2015**	2014
(unaudited)		
Share capital		
Common shares		
Balance, beginning of period	**309,342**	305,027
Issued on exercise of options	**-**	1,079
Transferred on exercise of options	**-**	482
Balance, end of period	**309,342**	306,588
Contributed surplus		
Balance, beginning of period	**17,609**	16,663
Share-based compensation	**648**	508
Transferred on exercise of options	**-**	(482)
Balance, end of period	**18,257**	16,689
Deficit		
Balance, beginning of period	**(96,727)**	(89,464)
Net earnings	**1,995**	723
Balance, end of period	**(94,732)**	(88,741)
Total shareholders' equity	**232,867**	234,536

See accompanying notes to the condensed consolidated interim financial statements.

DELPHI ENERGY CORP.

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

(thousands of dollars)	**2015**	2014
(unaudited)		
Cash flow from (used in) operating activities		
Net earnings	**1,995**	723
Adjustments for:		
Depletion and depreciation	**10,609**	10,235
Accretion and finance charges	**362**	407
Share-based compensation	**486**	1,069
Loss on decommissioning	**309**	-
Unrealized gain (loss) on financial instruments	**(3,714)**	7,687
Deferred income taxes	**734**	288
Accretion of subordinated debt and long term debt	**(232)**	574
Decommissioning expenditures	**(322)**	(191)
Change in non-cash working capital (Note 10)	**1,953**	2,977
	12,180	23,769
Cash flow from (used in) financing activities		
Exercise of options	**-**	1,079
Increase in long term debt	**4,529**	5,247
	4,529	6,326
Cash flow available for investing activities	**16,709**	30,095
Cash flow from (used in) investing activities		
Additions to exploration and evaluation	**(172)**	(21,886)
Additions to property, plant and equipment	**(17,097)**	(15,524)
Change in non-cash working capital (Note 10)	**(2,570)**	7,963
	(19,839)	(29,447)
Increase in cash and cash equivalents	**(3,130)**	648
Cash and cash equivalents, beginning of period	**3,130**	2,362
Cash and cash equivalents, end of period	**-**	3,010
Cash interest paid	**2,902**	1,014

See accompanying notes to the condensed consolidated interim financial statements.

1) STRUCTURE OF DELPHI

Delphi Energy Corp. ("Delphi" or "the Company") is a publicly-traded company engaged in the exploration for, development and production of crude oil and natural gas from properties and assets located in Western Canada in which it holds an interest. The Company's operations are primarily concentrated in the Deep Basin of North West Alberta, from which in excess of 90 percent of the Company's production is obtained. The registered office of the Company is located at Suite 300, 500 – 4th Avenue S.W., Calgary, Alberta, T2P 2V6.

The condensed consolidated interim financial statements as at and for the three months ended March 31, 2015 comprise the accounts of the Company, its wholly-owned subsidiary and a partnership.

2) BASIS OF PRESENTATION

(a) Statement of compliance and authorization

These condensed consolidated interim financial statements are unaudited and prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board, and do not include all of the information and disclosures normally provided in annual financial statements and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2014.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on May 12, 2015.

(b) Basis of measurement and functional currency

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

(c) Use of estimates and judgments

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

In preparing these condensed consolidated interim financial statements, the critical judgments that management has made in the process of applying Delphi's accounting policies and that have the most significant effect on the amounts recognized were the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2014.

3) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended December 31, 2014.

4) DETERMINATION OF FAIR VALUES

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

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

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

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

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

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

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

(b) Subordinated debt and long term debt:

The fair value disclosure of the Company's subordinated debt is measured at level 2 of the fair value hierarchy for disclosure purposes. The subordinated debt has a fair value of $17.3 million based on future cash flows associated with the facility discounted at current market rates of interest. In the case of long term debt, the fair value approximates its carrying value as it bears interest at floating rates and the applicable margin is indicative of the Company's current credit premium.

(c) Restricted share units:

The restricted share unit liability is measured at level 2 of the fair value hierarchy. The fair value is based on the Company's closing share price on the last business day immediately preceding the date of the consolidated statement of financial position.

(d) Derivatives:

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

5) FINANCIAL RISK MANAGEMENT

The Company is exposed to market, credit and liquidity risks from its use of financial instruments. There have not been any changes to the Company's exposure to each of the above risks and the Company's policies and processes for measuring and managing these risks since December 31, 2014.

As at March 31, 2015, Delphi had the following derivative financial and physical commodity risk management contracts outstanding:

Natural Gas Contracts

Time Period	Type of Contract	Quantity Contracted	Price ($/unit)		Reference
April 2013 – April 2015	Natural Gas - financial	3,000 GJ/d	$3.54	Cdn	AECO
April 2013 – December 2015	Natural Gas - financial	3,000 GJ/d	$3.27	Cdn	AECO
April 2013 – December 2016	Natural Gas - financial	3,000 GJ/d	$3.40	Cdn	AECO
June 2013 – December 2016	Natural Gas - financial	6,000 GJ/d	$3.45	Cdn	AECO
January 2015 – December 2015	Natural Gas - financial	2,500 GJ/d	$3.67	Cdn	AECO
January 2015 – December 2015	Natural Gas - financial	5,000 GJ/d	$3.69	Cdn	AECO
January 2015 – December 2015	Natural Gas - financial	2,500 GJ/d	$3.80	Cdn	AECO
April 2015	Natural Gas - physical	10,000 GJ/d	$2.54	Cdn	AECO
April 2015 - October 2015	Natural Gas - physical	6,000 mmbtu/d	$2.84	U.S.	Chicago
April 2015 – October 2015	Natural Gas - financial	2,000 GJ/d	$2.71	Cdn	AECO
April 2015 – October 2015	Natural Gas - financial	5,000 GJ/d	$3.23	Cdn	AECO
April 2015 – October 2015	Natural Gas - financial	2,500 GJ/d	$3.49	Cdn	AECO
April 2015 – October 2015	Natural Gas - financial	2,500 GJ/d	$3.62	Cdn	AECO
May 2015 – October 2015	Natural Gas - financial	3,000 GJ/d	$3.20	Cdn	AECO
November 2015	Natural Gas - physical	6,000 mmbtu/d	$3.27	U.S.	Chicago
December 2015 – December 2016	Natural Gas - financial	5,000 mmbtu/d	$3.45	U.S.	NYMEX
December 2015 – December 2018	Natural Gas - financial	5,000 mmbtu/d	$3.55	U.S.	NYMEX
December 2015 – December 2018	Natural Gas - financial	5,000 mmbtu/d	$3.57	U.S.	NYMEX
January 2016 – December 2016	Natural Gas - financial	2,500 GJ/d	$3.69	Cdn	AECO
January 2017 – December 2017	Natural Gas - financial	2,500 GJ/d	$3.75	Cdn	AECO
January 2016 – December 2017	Natural Gas - financial	5,000 mmbtu/d	$3.86	U.S.	NYMEX

Crude Oil Contracts

Time Period	Type of Contract	Quantity Contracted	Price ($/unit)		Reference
January 2015 – December 2015	Crude Oil – put option (1)	1,220 bbls/d	$80.00	Cdn	WTI
January 2016 – December 2018	Crude Oil – financial	200 bbls/d	$78.46	Cdn	WTI
January 2016 – December 2018	Crude Oil – financial	200 bbls/d	$78.35	Cdn	WTI
January 2016 – December 2018	Crude Oil – collar (2)	400 bbls/d	$78.60 - $85.00	Cdn	WTI

(1) Delphi has two put option contracts for 250 bbls/d each at a floor price of $100.85 Cdn and $101.00 Cdn, respectively, acting as the purchaser of the put contracts. In exchange for the put contract entered into for the calendar year of 2015 for 1,220 bbls/d at a strike price of $80.00 per barrel, Delphi entered into an additional two put contracts with the same counterparty for 250 bbls/d each at a floor price of $100.85 Cdn and $101.00 Cdn, respectively, acting as the seller of the put contracts.

(2) The collar has a deferred cost of $4.02 per barrel.

The fair value of the risk management contracts outstanding as at March 31, 2015 is estimated to be a current asset of $15.0 million and a long term asset of $8.8 million (December 31, 2014 – current asset of $16.9 million and a long term asset of $3.2 million). For the three months ended March 31, 2015, Delphi recorded an unrealized gain on its risk management contracts of $3.7 million. The unrealized gain recognized for the three months ended March 31, 2015 is the difference between the fair values of the risk management contracts outstanding as at March 31, 2015 and the fair values as at December 31, 2014.

For the three months ended March 31, 2015, the derivative commodity contracts resulted in realized gains of $4.5 million that have been included in the consolidated statement of earnings as a realized gain on financial instruments.

As at March 31, 2015, if the future strip prices for crude oil were $1.00 per barrel higher with all other variables held constant, the net earnings for the three months ended March 31, 2015 would have decreased by $0.9 million. As at March 31, 2015, if the future strip prices for natural gas were $0.10 per gigajoule or $0.10 per million british thermal unit higher with all other variables held constant, the net earnings for the three months ended March 31, 2015 would have decreased by $2.6 million.

Subsequent to March 31, 2015, Delphi entered into the following commodity risk management contracts:

Time Period	Type of Contract	Quantity Contracted	Price ($/unit)		Reference
April 2015 – June 2015	Natural Gas - physical	5,815 GJ/d	$2.51	Cdn	AECO
November 2015	Natural Gas - financial	5,000 GJ/d	$2.92	Cdn	AECO

In addition to the commodity risk management contracts, Delphi also entered into an interest rate swap transaction and two U.S. dollar forward sales agreements. The interest rate swap transaction is based on borrowings through bankers' acceptances in the amount of $30.0 million from May 2015 to May 2017 and has a fixed interest rate of 0.875%. The details of the U.S. dollar forward sales contracts are as follows:

Time Period	Notional U.S. $	Exchange Rate (Cdn$/U.S.$)
May 2015 – December 2018	250	1.2574
June 2015 – December 2016	250	1.1965

Offsetting financial assets and financial liabilities

As at March 31, 2015 the following derivative financial assets and financial liabilities were offset on the consolidated statement of financial position:

	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset	Net Amounts of Financial Assets Recognized
Risk management contracts			
Current asset	18,883	(3,920)	14,963
Long term asset	8,850	(23)	8,827
Net asset (liability)	**27,733**	**(3,943)**	**23,790**

6) EXPLORATION AND EVALUATION ASSETS

	Total
Balance as at December 31, 2013	24,666
Additions	44,864
Acquisitions	8,800
Expense	(3,634)
Transfer to oil and gas properties	(56,087)
Balance as at December 31, 2014	18,609
Additions	172
Balance as at March 31, 2015	**18,781**

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

During the first quarter of 2015, Delphi added $172 thousand of exploration and evaluation expenditures related to developing the Montney formation at Bigstone.

During 2014, Delphi added $44.9 million of exploration and evaluation expenditures related to developing the Montney formation at Bigstone. During the third quarter of 2014, Delphi acquired eight gross (3.5 net) sections of Montney rights at East Bigstone for a purchase price of $8.8 million after closing adjustments. During 2014, $56.1 million of exploration and evaluation assets were transferred to property, plant and equipment following the successful discovery of proven and probable reserves. During the year, the Company expensed $3.6 million of exploration and evaluation assets as management does not intend to extend the leases of certain lands in the Company's Bigstone, Wapiti and Miscellaneous Alberta areas.

7) PROPERTY, PLANT AND EQUIPMENT

Cost	Crude oil and natural gas properties	Production equipment	Other assets	Total
Balance as at December 31, 2013	614,194	50,312	885	665,391
Additions	35,388	22,353	151	57,892
Acquisitions	10,356	1,070	-	11,426
Decommissioning obligations	3,695	719	-	4,414
Dispositions	(25,818)	(1,071)	-	(26,889)
Transfer from exploration and evaluation assets	56,087	-	-	56,087
Balance as at December 31, 2014	693,902	73,383	1,036	768,321
Additions	15,789	1,595	-	17,384
Decommissioning obligations	184	-	-	184
Balance as at March 31, 2015	**709,875**	**74,978**	**1,036**	**785,889**

Accumulated depletion and depreciation	Crude oil and natural gas properties	Production equipment	Other assets	Total
Balance as at December 31, 2013	(251,462)	(13,634)	(502)	(265,598)
Depletion and depreciation	(43,444)	(1,357)	(128)	(44,929)
Dispositions	16,522	549	-	17,071
Impairment losses	(53,212)	(3,336)	-	(56,548)
Balance as at December 31, 2014	(331,596)	(17,778)	(630)	(350,004)
Depletion and depreciation	(10,175)	(402)	(32)	(10,609)
Balance as at March 31, 2015	**(341,771)**	**(18,180)**	**(662)**	**(360,613)**

Net book value as at March 31, 2015	**368,104**	**56,798**	**374**	**425,276**
Net book value as at December 31, 2014	362,306	55,605	406	418,317

For the three months ended March 31, 2015, Delphi has included $380.1 million (March 31, 2014: $360.8 million) for future development costs and excluded $2.1 million (March 31, 2014: $2.0 million) for estimated salvage to its costs subject to depletion and depreciation.

For the three months ended March 31, 2015, Delphi capitalized $0.7 million (December 31, 2014: $2.8 million) of general and administrative expenses and $0.3 million (December 31, 2014: $0.9 million) of share-based compensation expense directly related to exploration and development activities.

For the year ended December 31, 2014, Delphi received combined net proceeds of $16.6 million for the sale of certain interests in its Hythe and Miscellaneous Alberta CGUs. The CGUs had a combined net book value of $9.7 million, including decommissioning liabilities of $2.9 million, resulting in a combined net gain of $6.9 million. The Company also exchanged assets with a net book value of $69 thousand for assets with a fair value of $1.3 million, resulting in a gain of $1.2 million.

For the year ended December 31, 2014, Delphi recognized $56.5 million of impairments relating to its Hythe, Wapiti, Berland River and Miscellaneous Alberta CGUs. The impairments were based on the difference between the period end carrying value of the CGUs and the recoverable amount. The recoverable amounts were determined using a fair value less costs to sell methodology with the expected future cash flows based on proved and probable reserves using pre-tax discount rates of 15 to 20 percent.

8) LONG TERM DEBT AND SUBORDINATED DEBT

	March 31, 2015	December 31, 2014
Senior Credit Facility		
Prime-based loans	**43,000**	38,000
Bankers' acceptances, net of discount	**98,578**	99,281
	141,578	137,281
Subordinated debt, net of finance costs	**19,670**	19,547
Total	**161,248**	156,828

The Company's senior extendible revolving term credit facility with a syndicate of Canadian chartered banks is subject to the banks' semi-annual review of the Company's crude oil and natural gas properties. The facility is a 364 day committed facility available on a revolving basis until May 25, 2015 at which time it may be extended at the lenders' option. If the revolving period is not extended, the undrawn portion of the facility will be cancelled and the amount outstanding will convert to a 365 day non-revolving term facility. The amounts outstanding under the non-revolving facility would be required to be repaid at the end of the non-revolving term being May 25, 2016. The non-extension provisions are applicable to the lenders on an individual basis.

Interest payable on amounts drawn under the facility is at the prevailing bankers' acceptance rates plus stamping fees, lenders' prime rate or U.S. base rate plus the applicable margins, depending on the form of borrowing by the Company. The applicable margins and stamping fees are based on a sliding scale pricing grid tied to the Company's trailing net debt to annualized quarterly funds from operations ratio: from a minimum of the bank's prime rate or U.S. base rate plus 1.00 percent to a maximum of the bank's prime rate or U.S. base rate plus 2.50 percent or from a minimum of bankers' acceptances rate plus a stamping fee of 2.00 percent to a maximum of bankers' acceptances rate plus a stamping fee of 3.50 percent.

The syndicated credit facility is secured by a $300.0 million demand floating charge debenture and a general security agreement over all assets of the Company.

The annual review of the Company's $190.0 million extendible revolving term credit facility will be conducted prior to May 25, 2015. The borrowing base of the facilities will be based on the lenders' evaluation of the Company's petroleum and natural gas reserves at the time and commodity prices. A decrease in the borrowing base could result in a reduction to the credit facility, which may require a repayment to the lenders.

In addition to the syndicated credit facility, the Company has a $20.0 million subordinated demand credit facility with a Canadian energy and resource lender. The debt is secured by the Company's assets and subordinate to the Company's senior credit facility. The subordinated debt has a maturity date of June 30, 2016.

The subordinated debt has been classified as a current liability as it is secured by a $25.0 million demand floating charge debenture. The Company believes the lender has no intention of demanding repayment of the subordinated debt before the maturity date of June 30, 2016. At maturity, the Company expects to repay the subordinated debt through borrowings under its senior credit facility.

The subordinated debt has an annual coupon rate of 10.5 percent with interest payable monthly. A deferred fee of 1.5 percent of the facility is due upon maturity.

The subordinated debt of $20.0 million, net of $0.4 million of financing costs is accreted using the effective interest rate method such that the carrying amount of the subordinated debt will be equal to the principal amount plus the 1.5 percent deferred fee at maturity.

The senior credit facility and the subordinated demand credit facility are subject to the following financial covenants:

Financial covenant	Requirement	As at March 31, 2015	Facility subject to financial covenant
Adjusted working capital ratio	≥ 1.0 : 1.0	1.8	Senior, Subordinated
Net debt to equity ratio	< 1.0 : 1.0	0.8	Subordinated
Net debt to funds from operations ratio	≤ 2.8 : 1.0	4.2	Subordinated

Due to the significant drop in crude oil benchmark prices and a low natural gas price environment, the Company's net debt to funds from operations ratio as at March 31, 2015, exceeded the requirement of a ratio no greater than 2.8:1. On March 26, 2015, the Company obtained a non-compliance waiver from the lenders of the subordinated debt for the Company's net debt to funds from operations ratio covenant as at March 31, 2015. As a result of the non-compliance waiver, Delphi is in compliance with all of its covenants as at March 31, 2015.

Effective May 12, 2015, the subordinated debt lenders agreed to an amendment to certain financial covenants in response to the continued weak commodity pricing environment. The amendment no longer requires quarterly compliance with a net debt to funds from operations ratio and is now subject to a net debt to funds from operations ratio of no greater than 3.5 times at December 31, 2015.

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

Adjusted working capital ratio

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

Net debt to equity ratio

Net debt is defined as long term debt and subordinated debt plus (minus) the working capital deficit (surplus) excluding the current portion of the fair value of financial instruments. Equity is equivalent to shareholders' equity.

Net debt to funds from operations ratio

Net debt is defined as long term debt and subordinated debt plus (minus) the working capital deficit (surplus) excluding the current portion of the fair value of financial instruments. Funds from operations is defined as cash flow from operating activities before accretion of long term and subordinated debt, decommissioning expenditures and changes in non-cash working capital from operating activities. Delphi's most recently completed quarter's funds from operations is annualized (multiplied by four) for the calculation of this ratio.

9) SHARE CAPITAL

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

(a) Issued and outstanding	**March 31, 2015**		December 31, 2014	
	Outstanding shares (000's)	**Amount**	Outstanding shares (000's)	Amount
Balance, beginning of period	**155,477**	**309,342**	153,254	305,027
Issued on exercise of stock options	**-**	**-**	2,223	2,947
Transferred on exercise of options	**-**	**-**	-	1,368
Balance, end of period	**155,477**	**309,342**	155,477	309,342

As at March 31, 2015, 12.7 million stock options were outstanding with a weighted exercise price of $1.91 per option.

As at March 31, 2015, 1.3 million restricted share units were outstanding.

(b) Net earnings per share

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

As at March 31,	**2015**	2014
Weighted average common shares - basic	**155,477**	153,852
Dilutive effect of share options outstanding	**237**	3,537
Weighted average common shares - diluted	**155,714**	157,389

For the three months ended March 31, 2015, a total of 12.5 million stock options (March 31, 2014: 8.2 million) were excluded from the calculation as they were anti-dilutive.

10) SUPPLEMENTAL CASH FLOW INFORMATION

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

For the three months ended March 31,	**2015**	2014
Source (use) of cash		
Accounts receivable	**4,850**	(7,560)
Prepaid expenses and deposits	**154**	2,286
Outstanding cheques	**4,401**	-
Accounts payable and accrued liabilities	**(10,022)**	16,214
Total change in non-cash working capital	**(617)**	10,940
Relating to:		
Operating activities	**1,953**	2,977
Investing activities	**(2,570)**	7,963
	(617)	10,940

DIRECTORS

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Delphi Energy Corp.

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

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LEGAL COUNSEL

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BANKERS

National Bank of Canada
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INDEPENDENT ENGINEERS

GLJ Petroleum Consultants Ltd.

STOCK EXCHANGE LISTING

Toronto Stock Exchange – DEE

TRANSFER AGENT

Computershare Trust Company of Canada

ABBREVIATIONS

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

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