DELPHI ENERGY CORP.

SECOND QUARTER

FOR THE SIX MONTHS ENDED JUNE 30, 2015

300, 500 – 4th Avenue S.W. Calgary, Alberta T2P 2V6 T (403) 265-6171 F (403) 265-6207 E info@delphienergy.ca
www.delphienergy.ca

TSX Symbol: DEE

Second Quarter 2015 Highlights

- Produced an average of 10,210 barrels of oil equivalent per day ("boe/d") in the second quarter of 2015, a two percent decrease over the comparative quarter of 2014, including production curtailments of approximately 450 boe/d;

- Entered into an agreement for the disposition of its Wapiti assets for proceeds of $50.0 million, which subsequently closed on July 22, 2015;

- Net debt at the end of the second quarter was $123.9 million, down $56.8 million from $180.7 million at the end of the first quarter of 2015;

- Increased Montney production from 6,318 boe/d in the second quarter of 2014 to 6,658 boe/d in the second quarter of 2015, an increase of five percent; and

- Maintained Montney natural gas liquids ("NGL") and field condensate yields at 94 barrels per million cubic feet ("bbls/mmcf") in the second quarter of 2015. Field and plant condensate yield was 60 bbls/mmcf or 64 percent of the total 94 bbls/mmcf.

Financial Highlights ($ thousands except per unit amounts)

	Three Months Ended June 30			Six Months Ended June 30		
	2015	2014	% Change	**2015**	2014	% Change
Crude oil and natural gas sales	**22,790**	44,173	(48)	**45,440**	93,219	(51)
Realized sales price per boe	**28.89**	42.09	(31)	**28.14**	44.75	(37)
Funds from operations	**8,725**	14,660	(40)	**19,506**	35,069	(44)
Per boe	**9.39**	15.50	(39)	**10.17**	18.73	(46)
Per share – Basic	**0.06**	0.09	(33)	**0.13**	0.23	(43)
Per share – Diluted	**0.06**	0.09	(33)	**0.12**	0.22	(45)
Net earnings (loss)	**(32,106)**	5,439	(690)	**(30,111)**	6,162	(589)
Per boe	**(34.56)**	5.77	(699)	**(15.68)**	3.28	(578)
Per share – Basic	**(0.21)**	0.04	(625)	**(0.19)**	0.04	(575)
Per share – Diluted	**(0.21)**	0.03	(800)	**(0.19)**	0.04	(575)
Capital invested	**3,047**	17,239	(82)	**20,316**	54,649	(63)
Disposition of properties	**(469)**	-	-	**(469)**	-	-
Deposit on assets held for sale	**(10,000)**	-	-	**(10,000)**	-	-
Total net capital invested	**(7,422)**	17,239	(143)	**9,847**	54,649	(82)

Operational Highlights

Production	Three Months Ended June 30 2015	2014	% Change	Six Months Ended June 30 2015	2014	% Change
Field condensate (bbls/d)	**1,369**	1,364	-	**1,480**	1,409	5
Natural gas liquids (bbls/d)	**1,582**	1,807	(12)	**1,640**	1,651	(1)
Crude oil (bbls/d)	**86**	219	(61)	**47**	230	(80)
Total crude oil and natural gas liquids	**3,037**	3,390	(10)	**3,167**	3,290	(4)
Natural gas (mcf/d)	**43,035**	42,040	2	**44,619**	42,355	5
Total (boe/d)	**10,210**	10,397	(2)	**10,604**	10,349	2

	June 30, 2015	December 31, 2014	% Change
Net debt [1]	**123,905**	173,655	(29)
Total assets	**445,163**	481,749	(8)
Shares outstanding (000's)			
Basic	**155,510**	155,477	-
Diluted	**167,688**	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.*

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 continues to be challenging with crude oil prices improving to US $60.00 per barrel at the end of the second quarter before declining to US $45.00 per barrel in the first half of the third quarter, while Canadian natural gas prices remained relatively flat around $2.70 per mcf. Delphi successfully executed its first half capital program within funds from operations and commenced its summer capital program in late June.

Funds from operations in the second quarter of 2015 were $8.7 million or $0.06 per basic and diluted share, compared to $14.7 million or $0.09 per basic and 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 June 30, 2015, Delphi recognized $4.2 million in realized gains on its financial and physical commodity risk management contracts.

Production volumes for the second quarter of 2015 averaged 10,210 boe/d, a two percent decrease over the comparative quarter in 2014. Production curtailments averaged approximately 450 boe/d during the second quarter. No new wells were brought on since early March 2015 as a result of spring breakup and a planned lower level of drilling activity in 2015. Production volumes from the Montney development in the second quarter of 2015 increased five percent to 6,658 boe/d from 6,318 boe/d produced in the second quarter of 2014.

Delphi's production portfolio for the second quarter of 2015 remained similar to the prior quarter, weighted 13 percent to field condensate, 16 percent to natural gas liquids and 70 percent to natural gas and one percent to crude oil as a result of a well payout adjustment. On a revenue basis, the production portfolio remained almost equally weighted, with 49 percent of the revenue generated from the condensate and natural gas liquids volumes.

Royalty costs were down 77 percent over the comparative quarter of 2014 primarily as a result of lower commodity prices and increased royalty credits. The average royalty rate was down to 7.6 percent in the second quarter of 2015 from approximately 17 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, however, in the second quarter of 2015 these reductions were offset by an increase in property taxes and repairs and maintenance costs on several facilities of $ 0.4 million that are not expected to be recurring. Operating costs are down two percent from the comparative quarter in 2014 and are expected to be down further and in line with forecast for the remainder of the year.

During the second quarter of 2015, Delphi invested $3.0 million in capital expenditures of which $1.7 million was incurred to complete the winter capital program and $1.3 million was incurred towards the start of the summer capital program. 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. In the second quarter of 2015, Delphi recognized $10.5 million in proceeds of dispositions, with $10.0 million representing the non-refundable deposit received by June 30, 2015 on the sale of its Wapiti assets which closed on July 22, 2015. Net capital for the second quarter of 2015 was negative $7.4 million.

During the second quarter of 2015, due to minimal capital spending in other areas with the exception of Bigstone, a loss recognized on the sale of the Company's Wapiti assets and a further decrease in the forward price curves for natural gas and crude oil, Delphi undertook impairment tests on all areas other than Bigstone. As a result of these tests, Delphi recognized $19.1 million of impairments relating to its Hythe, Miscellaneous Alberta and British Columbia assets.

At June 30, 2015, the Company had net debt of $104.1 million outstanding under its senior credit facility, $19.8 million outstanding under its subordinated credit facility and was in compliance with all covenants of the credit facilities. Total net debt at June 30, 2015 is $123.9 million, a decrease of $56.8 million from net debt outstanding of $180.7 million at March 31, 2015. The significant reduction is a result of funds from operations in the second quarter of 2015 being greater than capital invested and the disposition of the Company's Wapiti assets for $50.0 million, which closed on July 22, 2015. The proceeds were applied to the Company's outstanding indebtedness with $44.0 million repaid on the senior credit facility and $6.0 million repaid on the subordinated credit facility. The repayment of outstanding bank indebtedness is expected to result in interest savings of approximately $1.2 million for the balance of the year.

As a result of the disposition, Delphi's senior lenders (National Bank of Canada, Bank of Nova Scotia and Alberta Treasury Branches) have completed a review of the Company's senior credit facility resulting in a facility of $175.0 million, consisting of a revolving credit facility of $170.0 million and an operating facility of $5.0 million, with borrowings in excess of $140.0 million subject to consent of the lenders. The senior credit facility has approximately $108.0 million outstanding after the repayment of $44.0 million.

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. The terms of the subordinated debt remain unchanged after the Wapiti disposition and the repayment of $6.0 million, other than the subordinated debt facility being reduced from $20.0 million to $14.0 million, the current outstanding amount.

The Company has total credit capacity of $189.0 million with total debt outstanding of approximately $122.0 million resulting in 35 percent of credit capacity being available.

Operations

Delphi has completed the drilling of its third Montney well of 2015 at 13-24-60-23W5 ("13-24"). The 13-24 well (0.83 net) was drilled to a total depth of 5,687 metres with a horizontal lateral length of 2,716 metres. A 40 stage liner was installed in 13-24 and completion operations are expected to commence later in August 2015.

The drilling rig has been moved to the next horizontal Montney well in East Bigstone at 14-30-60-22W5 and is expected to spud in the next few days. Commensurate with a drilling program objective that minimizes capital to bring on production, the wells being drilled in 2015 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. Capital costs continue to decrease with overall drilling and completion costs for the recent activity down 17 percent compared to the wells drilled in 2014.

Completion operations have concluded at the Company's 16-24-60-23W5 ("16-24") well that was drilled in the first quarter of 2015. A 40 stage frac program was successfully executed in late July and the well will be brought on production in August 2015.

Delphi continues to pursue operating efficiency gains and operating cost reductions in the field. The Company has commenced facility procurement for the previously announced water disposal well that was acquired 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 all of the Company's Bigstone Montney production and capital costs on Delphi's completion operations for its future Montney development wells.

The Company is also preparing to install a pipeline to access higher quality fuel gas to improve the efficiency of the Montney 7-11 compression facility, increasing the throughput capacity and decreasing the required maintenance costs.

The Company has 15 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 but one of these wells now have IP30 day production performance data with eight wells having produced for at least a year providing IP365 well performance data. The eight wells have an average IP365 total sales rate of 833 boe/d with two wells averaging over 1,100 boe/d each in their first 365 days of production. The strong production performance at 365 days and greater 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 (bbls/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	1,001	833

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

Alliance Pipeline ("Alliance") advised shippers on the evening of August 6, 2015 that an amount of hydrogen sulphide entered its mainline pipeline system as a result of complications experienced by an upstream operator. Alliance has declared this to be a force majeure event. As a result, Delphi was directed to suspend injection into the Alliance Pipeline on the morning of Friday, August 7, 2015. This suspension has resulted in the shut-in of approximately 2,000 boe/d of the Company's production, or approximately 130 boe/d for the third quarter, with this production expected to be back on-stream later in the week.

Outlook

Delphi continues to maintain a strong risk management program for both its natural gas and natural gas liquids production. With the decrease in the Canadian dollar relative to the US dollar over the past six months, Delphi has been contracting the forward rate of the US/Cdn foreign exchange rate for its future US natural gas revenue. On average Delphi has undertaken forward rate contracts on approximately 45 percent of its future revenue from US natural gas commodity contracts at an average foreign exchange rate of US/Cdn $1.245. The table below summarizes the Company's current commodity price and foreign exchange risk management contracts.

Natural Gas (Cdn)	2H 2015	2016	2017
Volume (mmcf/d)	31.9	10.9	2.4
% Hedged (1)	84%	29%	6%
Fixed Price (Cdn $/mcf)	3.62	3.68	3.96
August 7, 2015 Strip Price (Cdn $/mcf)	3.05	3.08	3.16

Natural Gas (US)	2H 2015	2016	2017	2018
Volume (mmcf/d)	7.5	20.0	15.0	10.0
% Hedged (1)	20%	53%	39%	26%
Fixed Price (US $/mcf)	3.02	3.61	3.66	3.56
August 7, 2015 Strip Price (US $/mcf)	2.91	3.09	3.23	3.30
% US Revenue Hedged	87%	76%	42%	23%
US/Cdn FX Hedge Rate	1.233	1.253	1.272	1.257

Condensate (Cdn)	2H 2015	2016	2017	2018
Volume (bbls/d)	1,220	800	800	800
% Hedged (1)	71%	46%	46%	46%
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
August 7, 2015 Strip Price (WTI Cdn $/bbl)	60.04	65.74	71.16	74.64

Total	2H 2015	2016	2017	2018
Volume hedged (1)	97%	74%	46%	31%

(1) Percent hedged is based on average natural gas production of 38 mmcf/d and 1,730 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.

The Company remains committed to a conservative approach to its capital spending plans in 2015 to preserve financial flexibility. Capital spending for the second half of 2015 remains dependent upon realized commodity prices and level of service cost reductions. Maintenance capital requirements to keep production relatively flat for the entire year are forecast to be within projected cash flow generated.

	2015 Guidance Post Wapiti Disposition
Average Annual Production (boe/d)	9,800 – 10,200
Exit Production Rate (boe/d)	10,000 – 11,000
AECO Natural Gas Price (Cdn $ per mcf)	$2.75
WTI Oil Price (US $ per bbl)	$54.00
Natural Gas Liquids Price (Cdn $ per bbl)	22.30
Foreign Exchange Rate (US/Cdn)	1.26
Well Count	4.0 – 5.0 gross
Net Capital Program ($ million)	($4.0) - $4.0
Funds from Operations ($ million)	$40.0 – $43.0
Net Debt at December 31 ($ million)	$127.0 - $132.0
Net Debt / Q4 FFO (annualized)	2.7 – 2.9

Delphi continues to focus on its large-scale Montney project at Bigstone where it holds 138.5 gross sections of land. The Wapiti disposition has provided increased financial flexibility, reducing bank debt by almost 30 percent and decreasing the Company's forecast ratio of net debt to fourth quarter 2015 annualized cash flow by almost 20 percent. The marketing process to sell the Company's remaining significant non-core assets at Hythe continues. There is no definitive timeline as to if or when a transaction may be completed. Given the uncertainties of the current environment, capital spending is expected to remain within the context of cash flow generated. With an early start to the second half drilling program, the Company has the operational and financial flexibility to increase the drilling program later in 2015.

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
August 7, 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 and six months ended June 30, 2015 and 2014 and should be read in conjunction with the unaudited condensed consolidated interim financial statements and accompanying notes for the three and six months ended June 30, 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 August 7, 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's core area in the Deep Basin is located at Bigstone.

SECOND QUARTER 2015 ACCOMPLISHMENTS

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

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

- Produced an average of 10,210 barrels of oil equivalent per day ("boe/d") in the second quarter of 2015, a two percent decrease over the comparative quarter of 2014 primarily due to the disposition of oil producing properties in the third quarter of 2014;

- Entered into an agreement for the disposition of its Wapiti assets for proceeds of $50.0 million. The disposition closed on July 22, 2015 and the proceeds have been applied against the Company's outstanding indebtedness;

- Increased Montney production from 6,318 boe/d in the second quarter of 2014 to 6,658 boe/d in the second quarter of 2015, an increase of five percent;

- Maintained Montney natural gas liquids ("NGL") and field condensate yields at 94 barrels per million cubic feet ("bbls/mmcf") in the second quarter of 2015. Field and plant condensate yield was 60 bbls/mmcf or 64 percent of the total 94 bbls/mmcf; and

- Realized gains of $4.2 million from commodity price risk management contracts in the second quarter of 2015.

Funds from operations in the second quarter of 2015 were $8.7 million or $0.06 per basic and diluted share, compared to $14.7 million or $0.09 per basic share and diluted share in the comparative quarter of 2014. The decrease in funds from operations in the second 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 June 30, 2015, Delphi recognized $4.1 million and $0.1 million in realized gains on its financial and physical commodity risk management contracts, respectively.

SECOND QUARTER 2015 OPERATIONAL AND FINANCIAL RESULTS

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Funds

	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015
Sources:		
Funds from operations	**8,725**	**19,506**
Disposition of properties	**469**	**469**
Deposit on assets held for sale	**10,000**	**10,000**
Exercise of stock options	**35**	**35**
	19,229	**30,010**
Uses:		
Cash and cash equivalents	**12,001**	**8,871**
Capital expenditures	**3,047**	**20,316**
Accretion of subordinated and long term debt	**(462)**	**(230)**
Expenditures on decommissioning	**-**	**322**
Changes in non-cash working capital	**15,662**	**16,279**
	30,248	**45,558**
Change in long term debt	**11,019**	**15,548**

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 and has recently closed the disposition of its Wapiti cash generating unit ("CGU") for proceeds of $50.0 million which have been applied against the Company's outstanding indebtedness. 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 June 30, 2015?

At June 30, 2015, the Company had $99.1 million outstanding in the form of bankers' acceptances, $54.0 million drawn under Canadian-based prime loans, $19.8 million in subordinated debt and a working capital surplus of $49.0 million for net debt of $123.9 million. The working capital surplus is due to the Wapiti CGU classification as assets held for sale on June 30, 2015. The disposition of the assets held for sale closed on July 22, 2015 and the proceeds of $50.0 million have been applied against the Company's outstanding indebtedness.

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

The annual review of the Company's senior extendible revolving term credit facility was conducted during the second quarter of 2015, resulting in a $15.0 million decrease in the borrowing base to $175.0 million. Subsequent to June 30, 2015, the Company's senior extendible revolving term credit facility was re-determined giving effect to the disposition of Delphi's Wapiti CGU, resulting in a $175.0 million credit facility with borrowings in excess of $140.0 million subject to consent of the lenders. With the proceeds from the disposition of the Company's Wapiti CGU, Delphi has repaid $44.0 million on its senior credit facility.

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, 2016 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 24, 2017. 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 semi-annual review of the Company's $175.0 million extendible revolving term credit facility will be conducted during the fourth quarter of 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 subordinated demand credit facility with a Canadian energy and resource lender. Subsequent to June 30, 2015, as a result of the proceeds from the disposition of the Company's Wapiti CGU, the Company repaid $6.0 million on its subordinated facility. The repayment has resulted in a decrease in the facility from $20.0 million to $14.0 million.

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 June 30, 2015	Facility subject to financial covenant
Adjusted working capital ratio	≥ 1.0 : 1.0	3.6	Senior, Subordinated
Net debt to equity ratio	< 1.0 : 1.0	0.6	Subordinated
Net debt to funds from operations ratio	≤ 3.5 : 1.0	N/A	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.

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.

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

Adjusted working capital ratio	As at June 30, 2015
Current assets	85,885
Exclusion of the current fair value of financial instruments	(9,841)
Undrawn portion of senior credit facility	21,931
	97,975
Current liabilities	46,996
Exclusion of the current fair value of financial instruments	(116)
Exclusion of the current portion of subordinated debt	(19,787)
	27,093
Adjusted working capital ratio	3.6

Net debt	As at June 30, 2015
Long term debt	153,069
Subordinated debt	19,787
Current liabilities	46,996
Exclusion of the current portion of subordinated debt	(19,787)
Current assets	(85,885)
Exclusion of the net current fair value of financial instruments	9,725
Net debt	123,905

Share Capital

How many common shares and stock options are currently outstanding?

As at August 7, 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 $1.88 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 and six months ended June 30, 2015:

	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015
Weighted Average Common Shares (in thousands)		
Basic	**155,508**	**155,493**
Diluted	**156,515**	**156,078**
Trading Statistics [1]		
High	**1.79**	**1.79**
Low	**1.27**	**1.10**
Average daily volume (in thousands)	**360,151**	**445,582**

(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 second 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 June 30			Six Months Ended June 30		
	2015	2014	% Change	**2015**	2014	% Change
Natural Gas						
NYMEX (US $/mmbtu)	**2.74**	4.58	(40)	**2.78**	4.65	(40)
AECO (CDN $/mcf)	**2.66**	4.69	(43)	**2.70**	5.17	(48)
Crude Oil						
West Texas Intermediate (US $/bbl)	**57.96**	102.98	(44)	**53.29**	100.81	(47)
Edmonton Light (CDN $/bbl)	**67.68**	105.62	(36)	**59.68**	102.67	(42)
Foreign Exchange						
Canadian to U.S. dollar	**0.81**	0.92	(12)	**0.81**	0.91	(11)
U.S. to Canadian dollar	**1.23**	1.09	13	**1.24**	1.10	13

Natural Gas

In the second quarter of 2015, the daily AECO benchmark natural gas price decreased 43 percent in comparison to the same period in 2014 and three percent in comparison to the first quarter of 2015. For the six months ended June 30, 2015, the daily AECO benchmark natural gas price decreased 48 percent in comparison to the same period in 2014.

Natural gas storage levels have increased in comparison to the prior year and the five year average, due to record production levels of natural gas coupled with insufficient demand for the incremental natural gas production volumes, creating a supply/demand imbalance. This imbalance has caused the price for natural gas to decrease in comparison to the comparative periods.

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. Due to an oversupply of propane in North America, the price for propane in 2015 has decreased significantly compared to 2014. 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. $57.96 per barrel in the second quarter of 2015, a decrease of 44 percent in comparison to the same period in 2014. WTI averaged U.S. $53.29 per barrel for the six months ended June 30, 2015, a decrease of 47 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 $67.68 per barrel in the second quarter of 2015, down 36 percent compared to the same period in 2014. For the six months ended June 30, 2015, Edmonton Light averaged $59.68 per barrel, down 42 percent compared to the same period in 2014.

Canadian/United States Exchange Rate

The value of the Canadian dollar against its U.S. counterpart averaged at $0.81 for the three and six months ended June 30, 2015, a twelve percent and eleven percent decrease in comparison to the same periods in 2014, respectively. 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 second 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 six months 2015, Delphi drilled two gross (1.7 net) wells which were focused on the Bigstone Montney formation. In comparison, Delphi drilled four gross (four net) wells in the first six months of 2014 which were also focused on the Bigstone Montney formation.

	Six Months Ended June 30, 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 second quarter of 2015 and where were the capital expenditures incurred?

During the second quarter of 2015, Delphi invested $3.0 million of capital expenditures primarily directed toward drilling, equipping and field infrastructure. During the second quarter of 2015, Delphi received proceeds of $0.5 million on the disposition of a property in the Company's British Columbia CGU and a $10.0 million non-refundable deposit toward the sale of the Company's Wapiti CGU.

During the first six months of 2015, Delphi invested $20.3 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 $2.4 million or 12 percent of total capital invested during the first half of 2015, primarily toward pipeline tie-ins and plant infrastructure. Delphi disposed of a minor property in its British Columbia CGU for net proceeds of $0.5 million and received a $10.0 million non-refundable deposit toward the sale of its Wapiti CGU.

As of June 30, 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 June 30			Six Months Ended June 30		
	2015	2014	% Change	**2015**	2014	% Change
Land	**(67)**	212	(132)	**(31)**	251	(112)
Seismic	**(11)**	65	(117)	**(1)**	80	(101)
Drilling, completions and equipping	**2,370**	14,276	(83)	**16,376**	40,293	(59)
Facilities	**(113)**	2,094	(105)	**2,442**	12,147	(80)
Capitalized expenses	**848**	508	67	**1,510**	1,794	(16)
Other	**20**	84	(76)	**20**	84	(76)
Capital invested	**3,047**	17,239	(82)	**20,316**	54,649	(63)
Disposition of properties	**(469)**	-	-	**(469)**	-	-
Deposit on assets held for sale	**(10,000)**	-	-	**(10,000)**	-	-
Net capital invested	**(7,422)**	17,239	(143)	**9,847**	54,649	(82)

ASSETS HELD FOR SALE

What are the assets held for sale and when is the sale expected to close?

During the second quarter of 2015, Delphi entered into an agreement to sell its working interests associated with its Wapiti cash generating unit ("CGU") for gross proceeds of $50.0 million, subject to closing adjustments. The net proceeds from the disposition will be used to reduce the Company's outstanding indebtedness. The sale of the Company's Wapiti CGU closed on July 22, 2015. In accordance with IFRS 5, "Non-current Assets Held for Sale", Delphi has measured the assets held for sale at the lower of its carrying amount and fair value less costs to sell, resulting in a loss of $3.8 million which is included in loss on dispositions in the consolidated statements of earnings (loss). The fair value of the assets held for sale was based on the proceeds received for the Company's Wapiti CGU.

In the second quarter of 2015, the Company's Wapiti CGU produced an average of 1,271 boe/d consisting of approximately 5,038 mcf/d of natural gas, 108 boe/d of oil and field condensate and 324 boe/d of natural gas liquids (45 percent ethane). Total land in the Wapiti CGU consists of 31,277 net acres inclusive of 19,377 net acres of undeveloped land.

PRODUCTION

What factors contributed to the production volumes?

Production volumes for the second quarter of 2015 averaged 10,210 boe/d, a two percent decrease over the comparative quarter in 2014. Production volumes have remained relatively flat as no wells were brought on production during the quarter. Natural production declines in the quarter were partially offset by the production of two gross (1.8 net) wells which were brought on stream in the first quarter of 2015.

Production volumes for the first half of 2015 have increased two percent in comparison to the same period in 2014, despite production curtailments of approximately 500 boe/d in the first quarter of 2015. 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 production early in the first quarter and the second well was brought on production in the latter part of the first quarter. Production volumes from the Montney development in the first half of 2015 increased 15 percent to 6,933 boe/d from the 6,040 boe/d produced in the first half of 2014.

Crude oil production is minimal in the first half of 2015 as the Company disposed of producing oil properties in Hythe during the third quarter of 2014.

Delphi's production portfolio for the second quarter of 2015 was weighted 13 percent to field condensate, 16 percent to natural gas liquids, one percent to crude oil and 70 percent to natural gas. This compares to a production portfolio for the comparative quarter in 2014 weighted 13 percent to field condensate, 17 percent to natural gas liquids, two percent to crude oil and 68 percent to natural gas.

For the three months ended June 30, 2015, field condensate as a percentage of total crude oil and natural gas liquids was 45 percent compared to 40 percent in the comparative quarter. For the first six months of 2015, field condensate as a percentage of total crude oil and natural gas liquids was 47 percent compared to 43 percent in the comparative period in 2014.

	Three Months Ended June 30			Six Months Ended June 30		
	2015	2014	% Change	**2015**	2014	% Change
Field condensate (bbls/d)	**1,369**	1,364	-	**1,480**	1,409	5
Natural gas liquids (bbls/d)	**1,582**	1,807	(12)	**1,640**	1,651	(1)
Crude oil (bbls/d)	**86**	219	(61)	**47**	230	(80)
Total crude oil and natural gas liquids	**3,037**	3,390	(10)	**3,167**	3,290	(4)
Natural gas (mcf/d)	**43,035**	42,040	2	**44,619**	42,355	5
Total (boe/d)	**10,210**	10,397	(2)	**10,604**	10,349	2

REALIZED SALES PRICES

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

For the three and six months ended June 30, 2015, Delphi's combined realized sales price decreased 31 percent and 37 percent in comparison to the same periods in 2014, respectively. The decrease is primarily a result of a reduction in all commodity market prices partially offset by an increase in realized gains on physical and financial risk management contracts.

For the three and six months ended June 30, 2015, Delphi's realized natural gas price before risk management contracts decreased 47 percent and 53 percent in comparison to the same periods in 2014, respectively. 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 for the three and six months ended June 30, 2015 were partially offset by gains on physical and financial risk management contracts.

Realized crude oil and field condensate prices were 22 percent and 27 percent lower in the three and six months ended June 30, 2015, respectively, compared to the same periods in 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 experience a premium or differential to Edmonton light as market demand fluctuates. The decrease in Delphi's realized price for crude oil and field condensate before commodity risk management contracts from the three and six months ended June 30, 2014 to the three and six months ended June 30, 2015 were partially offset by gains on financial commodity risk management contracts.

Delphi's realized natural gas liquids price for the three and six months ended June 30, 2015 decreased 65 percent compared to the same periods in 2014, respectively. 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 a change in the production profile.

	Three Months Ended June 30			Six Months Ended June 30		
	2015	2014	% Change	**2015**	2014	% Change
AECO ($/mcf)	**2.66**	4.69	(43)	**2.70**	5.17	(48)
Heating content and marketing ($/mcf)	**0.03**	0.40	(93)	**0.02**	0.66	(97)
Realized price before risk management contracts ($/mcf)	**2.69**	5.09	(47)	**2.72**	5.83	(53)
Gain (loss) on physical contracts ($/mcf)	**0.03**	0.01	67	**0.06**	(0.05)	-
Gain (loss) on financial contracts ($/mcf)	**0.76**	(0.80)	-	**0.66**	(0.95)	-
Realized natural gas price ($/mcf)	**3.48**	4.30	(19)	**3.44**	4.83	(29)
Edmonton Light ($/bbl)	**67.68**	105.62	(36)	**59.68**	102.67	(42)
Quality differential ($/bbl)	**1.72**	2.99	(42)	**(0.08)**	2.65	(103)
Realized price before risk management contracts ($/bbl)	**69.40**	108.61	(36)	**59.60**	105.32	(43)
Gain (loss) on financial contracts ($/bbl)	**8.07**	(9.11)	-	**11.71**	(7.22)	-
Realized oil and field condensate price ($/bbl)	**77.48**	99.50	(22)	**71.31**	98.10	(27)
Realized natural gas liquids price ($/bbl)	**18.62**	53.63	(65)	**20.57**	57.97	(65)
Total realized sales price ($/boe)	**28.89**	42.09	(31)	**28.14**	44.75	(37)

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 – 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 – 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
July 2015 – September 2015	Natural Gas - physical	6,739 GJ/d	$2.60	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
November 2015	Natural Gas - financial	5,000 GJ/d	$2.98	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 June 30, 2015 is estimated to be an asset of approximately $15.0 million. The fair values of these contracts are based on an approximation of the amounts that would have been paid to or received from counterparties to settle the contracts outstanding at the end of the period having regard to forward prices and market values provided by independent sources. Due to the inherent volatility in commodity prices, actual amounts realized may differ from these estimates.

For the three and six months ended June 30, 2015, the change in the fair values of the outstanding derivative commodity contracts resulted in an unrealized loss on its risk management contracts of $8.8 million and $5.1 million, respectively. The unrealized loss recognized for the three months ended June 30, 2015 is the difference between the fair values of the risk management contracts outstanding as at June 30, 2015 and the fair values as at March 31, 2015. The unrealized loss recognized for the six months ended June 30, 2015 is the difference between the fair values of the risk management contracts outstanding as at June 30, 2015 and the fair values as at December 31, 2014.

For the three and six months ended June 30, 2015, the risk management contracts resulted in realized gains of $4.1 million and $8.6 million, respectively.

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	250.0	1.2574
June 2015 – December 2016	250.0	1.1965
December 2015 – December 2016	200.0	1.2500
December 2015 – December 2016	275.0	1.2520
December 2015 – December 2016	200.0	1.2520
December 2015 – November 2017	200.0	1.2500
January 2016 – December 2017	300.0	1.3005

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 second quarter of 2015 compare to 2014 and what factors contributed to the change?

Delphi generated revenue of $22.8 million in the second quarter of 2015, a 48 percent decrease over the comparative period in 2014. The decrease in revenues is primarily due to a decline in commodity prices. For the second quarter of 2015, field condensate and natural gas liquids contributed to 49 percent of total revenues compared to 51 percent in the same period in 2014.

In the first half of 2015, Delphi generated revenue of $45.4 million, a 51 percent decrease over the comparative period in 2014. The decrease in revenues is primarily due to a decline in commodity prices partially offset by a slight increase in natural gas and field condensate production. For the first half of 2015, field condensate and natural gas liquids contributed to 48 percent of total revenues which remains unchanged from the comparative period in 2014.

Crude oil revenue decreased primarily due to the disposition of oil producing properties in the third quarter of 2014.

	Three Months Ended June 30			Six Months Ended June 30		
	2015	2014	% Change	**2015**	2014	% Change
Natural gas	**10,523**	19,352	(46)	**21,901**	44,696	(51)
Natural gas physical contract gains (loss)	**106**	50	112	**516**	(364)	(242)
Field condensate	**8,468**	13,626	(38)	**15,728**	27,127	(42)
Natural gas liquids	**2,681**	8,818	(70)	**6,104**	17,323	(65)
Crude oil	**725**	2,019	(64)	**750**	4,119	(82)
Sulphur	**287**	308	(7)	**441**	318	39
Total	**22,790**	44,173	(48)	**45,440**	93,219	(51)

ROYALTIES

What were royalty costs in the second quarter of 2015?

For the second quarter of 2015, royalties totaled $1.7 million compared to $7.5 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 are higher in the second quarter of 2015 compared to the second quarter of 2014 due to a higher cost base used by the Crown in computing the eligible credits for the current year and a $0.5 million negative revision to Crown royalty credits recorded in the second quarter of 2014.

In the second quarter of 2015, gross overriding royalties decreased 59 percent in comparison to the same period in 2014. 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.

For the first six months ended June 30, 2015, royalties totaled $3.1 million compared to $15.2 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 half of 2015 compared to the first half 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. In addition, the Crown royalty credits in the first half of 2014 were reduced by approximately $0.5 million related to prior periods.

Gross overriding royalties in the six months ended June 30, 2015 decreased 58 percent from the comparative period in 2014. 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 June 30			Six Months Ended June 30		
	2015	2014	% Change	**2015**	2014	% Change
Crown royalties	**1,520**	3,772	(60)	**3,090**	8,485	(64)
Royalty credits	**(1,700)**	(861)	97	**(3,842)**	(2,332)	65
Crown royalties – net	**(180)**	2,911	(106)	**(752)**	6,153	(112)
Gross overriding royalties	**1,901**	4,638	(59)	**3,818**	9,059	(58)
Total	**1,721**	7,549	(77)	**3,066**	15,212	(80)
Per boe	**1.85**	7.98	(77)	**1.60**	8.12	(80)

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

For the three months ended June 30, 2015, the average royalty rate decreased to 7.6 percent, down from the 17.1 percent in the comparative period in 2014. The decrease in the average royalty rate is primarily due to an increase in Crown royalty credits as calculated by the Crown. Crown royalty credits do not fluctuate based on commodity market prices. They are based on prior year capital spending and operating costs. Crown royalty credits are limited to Crown royalties paid which is an annual test. The gross overriding royalty rate decreased 20 percent in the second quarter of 2015 compared to the second 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.

For the six months ended June 30, 2015, the average royalty rate decreased to 6.8 percent, down from the 16.3 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 12 percent in the first half of 2015 compared to the same period in 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 June 30			Six Months Ended June 30		
	2015	2014	% Change	**2015**	2014	% Change
Crown rate – net of royalty credits	**(0.8%)**	6.6%	(112)	**(1.7%)**	6.6%	(126)
Gross overriding rate	**8.4%**	10.5%	(20)	**8.5%**	9.7%	(12)
Average rate	**7.6%**	17.1%	(56)	**6.8%**	16.3%	(58)

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 second quarter of 2015 compare to 2014?

Production costs for the three months ended June 30, 2015 remained relatively flat in comparison to the same period in 2014. The cost savings in the processing fees for the Company's Montney production were partially offset by an increase in repairs and maintenance during the plant turnaround and workover season as well as an increase in property taxes. 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.

Production costs for the first half of 2015 have decreased three percent over the comparative period in 2014. The decrease is primarily a result of cost savings in processing fees for the Company's Montney production partially offset by an increase in water trucking charges, repairs and maintenance and property taxes.

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 48 percent and 40 percent in the three and six months ended June 30, 2015 compared to the same periods in 2014, respectively. 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 Month Ended June 30			Six Months Ended June 30		
	2015	2014	% Change	**2015**	2014	% Change
Production costs	**9,431**	9,473	-	**18,552**	19,131	(3)
Processing income	**(976)**	(658)	48	**(1,870)**	(1,340)	40
Total	**8,455**	8,815	(4)	**16,682**	17,791	(6)
Per boe	**9.10**	9.32	(2)	**8.69**	9.50	(9)

TRANSPORTATION EXPENSES

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

For the three months ended June 30, 2015, transportation expenses increased nine percent as compared to the same period in 2014. The increase is due to higher field condensate trucking and transportation charges partially offset by a reduction in gas gathering fees.

For the six months ended June 30, 2015, transportation expenses decreased two percent compared to the same period in 2014. The decrease is due to lower gas gathering fees partially offset by higher field condensate trucking and transportation charges.

The decrease in gas gathering fees reflects the cost savings from the completion of pipeline connections to deliver the Company's 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.

Treatment facilities in the Bigstone area remain busy, resulting in a shortage of off-take capacity at the 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. Delphi continues to work with service providers to reduce trucking charges.

	Three Months Ended June 30			Six Months Ended June 30		
	2015	2014	% Change	**2015**	2014	% Change
Total	**3,431**	3,159	9	**6,803**	6,915	(2)
Per boe	**3.69**	3.34	10	**3.54**	3.69	(4)

GENERAL AND ADMINISTRATIVE

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

General and administrative expenses (after recoveries and allocations) for the three months ended June 30, 2015 were nine percent lower compared to the same period in 2014. The lower general and administrative expenses are due to higher salary allocations that were allocated to operating expenses or capitalized in the second quarter of 2015 compared to the same period in 2014. The second quarter of 2014 included a $0.4 million reversal to salary allocations which related to a prior period. Overhead recoveries decreased 55 percent over the comparative period primarily due to a lower capital program in the second quarter of 2015 compared to the second quarter of 2014.

General and administrative expenses (after recoveries and allocations) for the six months ended June 30, 2015 were seven percent lower compared to the same period in 2014. Gross expenses in the first half of 2015 are 17 percent lower than the comparative period primarily due to lower personnel costs. Overhead recoveries decreased 41 percent over the comparative period due to a lower capital program in the first half of 2015 compared to the first half of 2014. Salary allocations decreased 20 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 June 30			Six Months Ended June 30		
	2015	2014	% Change	**2015**	2014	% Change
Gross expenses	**2,699**	2,739	(1)	**5,279**	6,387	(17)
Overhead recoveries	**(232)**	(517)	(55)	**(652)**	(1,099)	(41)
Salary allocations	**(833)**	(431)	93	**(1,726)**	(2,152)	(20)
General and administrative expenses	**1,634**	1,791	(9)	**2,901**	3,136	(7)
Per boe	**1.76**	1.89	(7)	**1.51**	1.67	(10)

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 three percent and 15 percent for the three and six months ended June 30, 2015 as compared to the same periods in 2014, respectively. 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 91 percent and 90 percent in the three and six months ended June 30, 2015 in comparison to the same periods in 2014, respectively. The decrease in the expense from the comparative periods is due to a lower closing share price used to calculate the fair value of the restricted units vested during the periods and the fair value of restricted share units paid out, in combination with a decrease in the number of outstanding units. Capitalized share-based compensation increased in the three and six months ended June 30, 2015 in comparison to the same periods in 2014, primarily as a result of a re-allocation of capitalized expenses related to restricted share units during the second quarter of 2014.

During the six months ended June 30, 2015, 581 thousand restricted share units vested resulting in a cash expense, net of capitalization, of $0.6 million.

	Three Months Ended June 30			Six Months Ended June 30		
	2015	2014	% Change	**2015**	2014	% Change
Share-based compensation – Options	**516**	502	3	**1,164**	1,010	15
Share-based compensation – RSUs	**161**	1,861	(91)	**286**	2,912	(90)
Capitalized costs	**(287)**	11	(2,709)	**(574)**	(465)	23
Net	**390**	2,374	(84)	**876**	3,457	(75)
Per boe	**0.42**	2.50	(83)	**0.46**	1.86	(75)

FINANCE COSTS

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

Interest charges increased 14 percent and 16 percent in the three and six months ended June 30, 2015, respectively, in comparison to the same periods 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 June 30, 2015 have terms ranging from 90 to 182 days and a weighted average effective interest rate of 4.0 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 62 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 June 30			Six Months Ended June 30		
	2015	2014	% Change	**2015**	2014	% Change
Interest	**2,263**	1,990	14	**4,441**	3,822	16
Accretion	**231**	286	(19)	**470**	580	(19)
Finance charges	**127**	115	10	**250**	228	10
Total finance costs	**2,621**	2,391	10	**5,161**	4,630	11
Interest per boe	**2.44**	2.10	16	**2.31**	2.04	13
Accretion per boe	**0.25**	0.30	(17)	**0.24**	0.31	(23)
Finance charges per boe	**0.14**	0.12	17	**0.13**	0.12	8

DEPLETION, DEPRECIATION AND IMPAIRMENT

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

Depletion and depreciation for the three and six months ended June 30, 2015 increased 27 percent and 15 percent, respectively, compared to the same periods in 2014. Under IFRS, depletion is calculated on a unit of account basis, which for Delphi is a level lower than a CGU. During the quarter, a unit of account with a higher depletion rate than all other unit of accounts had higher sales volumes in the second quarter of 2015 compared to the same periods in 2014, causing the overall depletion expense and depletion rate to increase.

During the second quarter of 2015, due to minimal capital spending in all CGUs with the exception of Bigstone, a loss recognized on the sale of the Company's Wapiti CGU and a further decrease in the forward price curves for natural gas and crude oil, Delphi determined that indicators of impairment were present in all CGUs, other than Bigstone. As a result of the impairment tests, Delphi recognized $19.1 million of impairments relating to its Hythe, Miscellaneous Alberta and British Columbia 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.

	Three Months Ended June 30			Six Months Ended June 30		
	2015	2014	% Change	**2015**	2014	% Change
Depletion and depreciation	**13,229**	10,448	27	**23,838**	20,683	15
Impairment loss	**19,070**	-	-	**19,070**	-	-
Depletion and depreciation per boe	**14.24**	11.04	29	**12.42**	11.04	13
Impairment loss per boe	**20.52**	-	-	**9.94**	-	-

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 recovery of $4.0 million and $3.2 million for the three and six months ended June 30, 2015, respectively, compared to a deferred income tax expense of $2.0 million and $2.3 million for the three and six months ended June 30, 2014, respectively. The decrease in the deferred income tax is due to a decrease in earnings. Deferred taxes arise from differences between the accounting and tax bases of the Company's assets and liabilities.

	Three Months Ended June 30			Six Months Ended June 30		
	2015	2014	% Change	**2015**	2014	% Change
Deferred income taxes	**(3,978)**	1,977	(301)	**(3,244)**	2,265	(243)
Per boe	**(4.28)**	2.09	(305)	**(1.69)**	1.21	(240)

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 second quarter of 2015 compare to 2014?

Delphi's cash flow from operating activities in the three and six months ended June 30, 2015 have decreased 74 percent and 60 percent, respectively, compared to the same periods in 2014. Similarly, Delphi's funds from operations in the three and six months ended June 30, 2015 have decreased 40 percent and 44 percent, respectively, compared to the same periods in 2014.

The decrease in cash flow from operations and funds from operations from the second quarter of 2014 to the second quarter of 2015 is primarily due to a significant decline in commodity prices partially offset by lower royalties and higher realized gains on risk management contracts and a reduced pay out related to the Company's vested restricted share units. The decrease in cash flow from operations and funds from operations from the first half of 2014 to the second half of 2015 is primarily due to a significant decline in commodity prices and an increase in interest charges partially offset by lower royalties, higher realized gains on risk management contracts, lower operating and transportation expenses and a reduced pay out related to the Company's vested restricted share units.

	Three Months Ended June 30			Six Months Ended June 30		
	2015	2014	% Change	**2015**	2014	% Change
Cash flow from operating activities	**4,975**	18,856	(74)	**17,155**	42,625	(60)
Accretion of subordinated and long term debt	**(462)**	1,002	(146)	**(230)**	428	(154)
Decommissioning expenditures	**-**	438	-	**322**	629	(49)
Change in non-cash working capital	**4,212**	(5,636)	(175)	**2,259**	(8,613)	-
Funds from operations	**8,725**	14,660	(40)	**19,506**	35,069	(44)

CASH NETBACK AND LOSS ANALYSIS

What factors contributed to the loss in the second quarter of 2015?

Delphi had a $32.1 million loss in the second quarter of 2015, compared to net earnings of $5.4 million in the second quarter of 2014. The decrease in earnings is primarily due to a decline in the realized sales price for all commodities, an unrealized loss on risk management contracts, a loss on dispositions and higher depletion, depreciation and impairment charges, partially offset by lower royalties, a realized gain on risk management contracts and a deferred income tax recovery.

In the first half of 2015, Delphi had a $30.1 million loss compared to net earnings of $6.2 million in the second half of 2014. The decrease in earnings is primarily due to a decline in the realized sales price for all commodities, a higher unrealized loss on risk management contracts, a loss on dispositions and higher depletion, depreciation and impairment charges, partially offset by lower royalties, a realized gain on risk management contracts, a reduction in operating expenses, lower share-based compensation and a deferred income tax recovery.

	Three Months Ended June 30			June Months Ended June 30		
	2015	2014	% Change	**2015**	2014	% Change
Net earnings (loss)	**(32,106)**	5,439	(690)	**(30,111)**	6,162	(589)
Per boe	**(34.56)**	5.77	(699)	**(15.68)**	3.28	(578)
Per basic share	**(0.21)**	0.04	(625)	**(0.19)**	0.04	(575)
Per diluted share	**(0.21)**	0.03	(800)	**(0.19)**	0.04	(575)

How do Delphi's netbacks achieved in the second 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 second quarter of 2015, Delphi's cash net back per boe decreased 39 percent compared to the second 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 second quarter of 2015 compared to the second quarter of 2014. The decrease in the realized sales price per boe was partially offset by a reduction in royalties and operating expenses. General and administrative expenses and paid out restricted share units per boe decreased over the comparative period, partially offset by an increase in interest charges per boe.

For the first half of 2015, Delphi's cash net back per boe decreased 46 percent compared to the first half 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 over the comparative period. The decrease in the realized sales price per boe was partially offset by a reduction in royalties and operating and transportation expenses. General and administrative expenses and paid out restricted share units per boe decreased over the comparative period, partially offset by an increase in interest charges per boe.

	Three Months Ended June 30			Six Months Ended June 30		
	2015	2014	% Change	**2015**	2014	% Change
Barrels of oil equivalent ($/boe)						
Realized sales price	**28.89**	42.09	(31)	**28.14**	44.75	(37)
Royalties	**1.85**	7.98	(77)	**1.60**	8.12	(80)
Operating expenses	**9.10**	9.32	(2)	**8.69**	9.50	(9)
Transportation	**3.69**	3.34	10	**3.54**	3.69	(4)
Operating netback	**14.25**	21.45	(34)	**14.31**	23.44	(39)
General and administrative expenses	**1.76**	1.89	(7)	**1.51**	1.67	(10)
Paid out restricted share units	**0.66**	1.96	(66)	**0.32**	1.00	(68)
Interest	**2.44**	2.10	16	**2.31**	2.04	13
Cash netback	**9.39**	15.50	(39)	**10.17**	18.73	(46)
Unrealized loss (gain) on commodity risk contracts	**9.43**	(4.77)	-	**2.63**	1.70	55
Share-based compensation expense	**(0.24)**	0.54	(144)	**0.14**	0.86	(84)
Loss on dispositions	**3.89**	-	-	**1.88**	-	-
Loss on decommissioning	**-**	0.41	-	**0.16**	0.21	(24)
Depletion, depreciation and impairment	**34.76**	11.04	215	**22.36**	11.04	103
Accretion and finance charges	**0.39**	0.42	(7)	**0.37**	0.43	(14)
Deferred income taxes	**(4.28)**	2.09	(305)	**(1.69)**	1.21	(240)
Net earnings (loss)	**(34.56)**	5.77	(699)	**(15.68)**	3.28	(578)

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. On July 22, 2015, Delphi closed the sale of its Wapiti CGU for proceeds of $50.0 million which have been applied against the Company's outstanding indebtedness, providing the financial flexibility required during the current economic environment. Record production levels for natural gas and crude oil have created a supply/demand imbalance which has significantly negatively impacted commodity prices. In the first half of 2015, Delphi experienced a 37 percent reduction in its realized sales price per boe as a result of the decline in the price for all commodities. With the reduced commodity prices, the Company is realizing savings on royalties and is focusing on further reducing operating and transportation expenses. Delphi maintains an active commodity price risk management program and has realized $8.6 million of gains on its risk management contracts. In the six months ended June 30, 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 second quarter of 2015 averaged 10,210 boe/d, a two percent decrease over the comparative quarter in 2014 and a seven percent decrease over the first quarter of 2015.

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:

	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014	Sep. 30, 2014	Jun. 30, 2014	Mar. 31, 2014	Dec. 31, 2013	Sep. 30, 2013
Production								
Oil and field condensate (bbls/d)	**1,455**	1,600	1,692	1,396	1,583	1,697	1,242	1,035
Natural gas liquids (bbls/d)	**1,582**	1,698	2,020	1,356	1,807	1,493	1,286	1,294
Natural gas (mcf/d)	**43,035**	46,223	49,939	40,251	42,040	42,673	38,761	38,807
Barrels of oil equivalent (boe/d)	**10,210**	11,002	12,035	9,461	10,397	10,302	8,988	8,797
Financial								
Petroleum and natural gas revenue	**22,790**	22,650	35,534	35,117	44,173	49,046	29,459	25,666
Funds from operations	**8,725**	10,781	15,869	14,221	14,660	20,409	11,352	9,972
Per share – basic	**0.06**	0.07	0.10	0.09	0.09	0.13	0.07	0.07
Per share – diluted	**0.06**	0.07	0.10	0.09	0.09	0.12	0.07	0.06
Net earnings (loss)	**(32,106)**	1,995	(25,588)	12,163	5,439	723	(16,100)	1,208
Per share – basic	**(0.21)**	0.01	(0.16)	0.08	0.04	-	(0.11)	0.01
Per share – diluted	**(0.21)**	0.01	(0.16)	0.08	0.03	-	(0.11)	0.01

CONTRACTUAL OBLIGATIONS

Does the Company have any contractual obligations as of June 30, 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)	4,983	21,800	27,446	29,568	29,556	37,421
Office, equipment and software leases	1,198	1,414	991	-	-	-
Accounts payable and accrued liabilities (2)	19,538	-	-	-	-	-
Decommissioning obligations (3)	326	173	637	8,846	810	33,017
Restricted share units	179	329	72	-	-	-
Risk management contracts	116	109	22	-	-	-
Interest payments on subordinated debt (4)	1,575	1,044	-	-	-	-
Long term debt (4)	-	-	153,069	-	-	-
Subordinated debt (4)	-	20,300	-	-	-	-
Total	27,915	45,169	182,237	38,414	30,366	70,438

(1) Balances denominated in US dollars have been translated at the June 30, 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.

(4) Subsequent to June 30, 2015, Delphi repaid $44.0 million on its senior credit facility and $6.0 million on its subordinated credit facility with the proceeds received from the disposition of its Wapiti CGU.

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 second quarter average natural gas production was 43.0 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, 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 April 1, 2015 and ended on June 30, 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 expectations for its average annual production in 2015 has been revised to give effect to the disposition of the Company's Wapiti CGU and TransCanada pipeline downtime due to pipeline maintenance and inspections which are expected to continue through the rest of the year. The Company's firm transportation with Alliance Pipeline commences on December 1, 2015. The Company's production will also be dependent upon the number of wells drilled, funded by cash flow. Average annual production is expected to range between 9,800 and 10,200 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 remain at levels higher than the prior year. 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 six months of 2015 was $2.70 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 global economy, particularly 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 $0.75 and $0.80 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. Currently, Delphi expects the royalty regime in Alberta to remain stable throughout the remainder of 2015. During the second quarter of 2015, the newly appointed NDP government in Alberta has committed to a royalty review process which may have a significant impact on the current royalty regime in Alberta. The timing of the royalty review has not been defined. 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 ten and twelve 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 $3.25 to $3.50 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 are influenced by industry activity, as costs tend to increase during periods of high industry activity and may experience some deflationary pressure during lower periods of activity. 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. If the economy is viewed as retracting, interest rates may be decreased in order to stimulate spending and encourage 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 $2.00 to $2.25 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 gross capital expenditures to be between $45.0 and $50.0 million to drill, complete and tie-in four to five 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.

With the proceeds from the disposition of the Company's Wapiti CGU being applied against the Company's indebtedness, the Company is targeting net debt at December 31, 2015 to be between $127.0 and $132.0 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, on 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)	**June 30, 2015**	December 31, 2014
(unaudited)		
Assets		
Current assets		
Cash and cash equivalents	**12,001**	3,130
Accounts receivable	**13,557**	18,518
Prepaid expenses and deposits	**3,665**	3,099
Assets held for sale (Note 6)	**46,821**	-
Fair value of financial instruments (Note 5)	**9,841**	16,873
	85,885	41,620
Fair value of financial instruments (Note 5)	**5,432**	3,203
Exploration and evaluation (Note 7)	**18,943**	18,609
Property, plant and equipment (Note 8)	**334,903**	418,317
Total assets	**445,163**	481,749
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**19,946**	41,097
Liabilities associated with assets held for sale (Note 6)	**6,821**	-
Decommissioning obligations	**326**	477
Fair value of financial instruments (Note 5)	**116**	-
Subordinated debt (Note 9)	**19,787**	19,547
	46,996	61,121
Restricted share units	**172**	306
Long term debt (Note 9)	**153,069**	137,281
Decommissioning obligations	**43,483**	49,573
Fair value of financial instruments (Note 5)	**131**	-
Deferred income taxes	**-**	3,244
Total liabilities	**243,851**	251,525
Shareholders' equity		
Share capital (Note 10)	**309,389**	309,342
Contributed surplus	**18,761**	17,609
Deficit	**(126,838)**	(96,727)
Total shareholders' equity	**201,312**	230,224
Total liabilities and shareholders' equity	**445,163**	481,749

Subsequent events (Notes 5, 6, 9)

See accompanying notes to the condensed consolidated interim financial statements.

DELPHI ENERGY CORP.

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

	Three Months Ended June 30		Six Months Ended June 30	
(thousands of dollars, except per share amounts)	**2015**	2014	**2015**	2014
(unaudited)				
Revenues				
Crude oil and natural gas sales	**22,790**	44,173	**45,440**	93,219
Royalties	**(1,721)**	(7,549)	**(3,066)**	(15,212)
	21,069	36,624	**42,374**	78,007
Realized gain (loss) on financial instruments (Note 5)	**4,055**	(4,350)	**8,575**	(9,401)
Unrealized gain (loss) on financial instruments (Note 5)	**(8,764)**	4,509	**(5,050)**	(3,178)
	16,360	36,783	**45,899**	65,428
Expenses				
Operating	**8,455**	8,815	**16,682**	17,791
Transportation	**3,431**	3,159	**6,803**	6,915
General and administrative	**1,634**	1,791	**2,901**	3,136
Share-based compensation	**390**	2,374	**876**	3,457
Loss on dispositions (Note 6, 8)	**3,614**	-	**3,614**	-
Loss on decommissioning	**-**	389	**309**	389
Depletion, depreciation and impairment (Note 8)	**32,299**	10,448	**42,908**	20,683
	49,823	26,976	**74,093**	52,371
Finance costs	**2,621**	2,391	**5,161**	4,630
Earnings (loss) before income taxes	**(36,084)**	7,416	**(33,355)**	8,427
Income taxes				
Deferred income taxes	**(3,978)**	1,977	**(3,244)**	2,265
Net earnings (loss) and comprehensive income (loss)	**(32,106)**	5,439	**(30,111)**	6,162
Net earnings (loss) per share (Note 10)				
Basic	**(0.21)**	0.04	**(0.19)**	0.04
Diluted	**(0.21)**	0.03	**(0.19)**	0.04

See accompanying notes to the condensed consolidated interim financial statements.

DELPHI ENERGY CORP.

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

(thousands of dollars)	Six Months Ended June 30, **2015**	2014
(unaudited)		
Share capital		
Common shares		
Balance, beginning of period	**309,342**	305,027
Issued on exercise of options	**35**	2,578
Transferred on exercise of options	**12**	1,208
Balance, end of period	**309,389**	308,813
Contributed surplus		
Balance, beginning of period	**17,609**	16,663
Share-based compensation	**1,164**	1,010
Transferred on exercise of options	**(12)**	(1,208)
Balance, end of period	**18,761**	16,465
Deficit		
Balance, beginning of period	**(96,727)**	(89,464)
Net earnings (loss)	**(32,106)**	6,162
Balance, end of period	**(126,838)**	(83,302)
Total shareholders' equity	**201,312**	241,976

See accompanying notes to the condensed consolidated interim financial statements.

DELPHI ENERGY CORP.

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

	Three Months Ended June 30		Six Months Ended June 30	
(thousands of dollars)	**2015**	2014	**2015**	2014
(unaudited)				
Cash flow from (used in) operating activities				
Net earnings	**(32,106)**	5,439	**(30,111)**	6,162
Adjustments for:				
Depletion, depreciation and impairment	**32,299**	10,448	**42,908**	20,683
Accretion and finance charges	**358**	401	**720**	808
Share-based compensation	**(226)**	515	**260**	1,584
Loss on dispositions	**3,614**	-	**3,614**	-
Loss on decommissioning	**-**	389	**309**	389
Unrealized (gain) loss on financial instruments	**8,764**	(4,509)	**5,050**	3,178
Deferred income taxes	**(3,978)**	1,977	**(3,244)**	2,265
Accretion of subordinated debt and long term debt	**462**	(1,002)	**230**	(428)
Decommissioning expenditures	**-**	(438)	**(322)**	(629)
Change in non-cash working capital (Note 11)	**(4,212)**	5,636	**(2,259)**	8,613
	4,975	18,856	**17,155**	42,625
Cash flow from (used in) financing activities				
Exercise of options	**35**	1,499	**35**	2,578
Increase in long term debt	**11,019**	9,753	**15,548**	15,000
	11,054	11,252	**15,583**	17,578
Cash flow available for investing activities	**16,029**	30,108	**32,738**	60,203
Cash flow from (used in) investing activities				
Additions to exploration and evaluation	**(162)**	(14,030)	**(334)**	(35,916)
Additions to property, plant and equipment	**(2,885)**	(3,209)	**(19,982)**	(18,733)
Disposition of petroleum and natural gas properties	**469**	-	**469**	-
Deposit on assets held for sale (Note 6)	**10,000**	-	**10,000**	-
Change in non-cash working capital (Note 11)	**(11,450)**	(15,879)	**(14,020)**	(7,916)
	(4,028)	(33,118)	**(23,867)**	(62,565)
Increase in cash and cash equivalents	**12,001**	(3,010)	**8,871**	(2,362)
Cash and cash equivalents, beginning of period	**-**	3,010	**3,130**	2,362
Cash and cash equivalents, end of period	**12,001**	-	**12,001**	-
Cash interest paid	**1,719**	1,244	**4,621**	2,258

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 and six months ended June 30, 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 August 7, 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, foreign exchange and commodity contracts are measured at level 2 of the fair value hierarchy. The fair value of commodity contracts is determined by discounting the remaining contracted petroleum and natural gas volumes 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 June 30, 2015, Delphi had the following risk management contracts outstanding:

Natural Gas Contracts

Time Period	Type of Contract	Quantity Contracted	Price ($/unit)		Reference
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 - 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
July 2015	Natural Gas - physical	10,000 GJ/d	$2.46	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
November 2015	Natural Gas - financial	5,000 GJ/d	$2.98	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 – 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

(3) 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.

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

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
December 2015 – December 2016	200	1.2500
December 2015 – December 2016	275	1.2520
December 2015 – December 2016	200	1.2520
December 2015 – November 2017	200	1.2500

Interest Rate Swap

Time Period	Amount	Fixed Interest Rate
May 2015 – May 2017	30,000	0.875

The fair value of the risk management contracts outstanding as at June 30, 2015 is estimated to be a net asset of $15.0 million (December 31, 2014, net asset of $20.1 million). As at June 30, 2015, the following derivative financial assets and financial liabilities were offset on the consolidated statement of financial position:

	Gross Amounts of Recognized Financial Assets (Liabilities)	Gross Amounts of Recognized Financial Assets (Liabilities) Offset	Net Amounts of Financial Assets (Liabilities) Recognized
Risk management contracts			
Current asset	12,673	(2,832)	9,841
Long term asset	6,296	(864)	5,432
Current liability	(311)	195	(116)
Long term liability	(508)	377	(131)
Net asset (liability)	**18,150**	**(3,124)**	**15,026**

For the three and six months ended June 30, 2015, the risk management contracts resulted in realized gains of $4.1 million and $8.6 million, respectively.

For the three and six months ended June 30, 2015, Delphi recorded an unrealized loss on its risk management contracts of $8.8 million and $5.1 million, respectively. The unrealized loss recognized for the three months ended June 30, 2015 is the difference between the fair values of the risk management contracts outstanding as at June 30, 2015 and the fair values as at March 31, 2015. The unrealized loss recognized for the six months ended June 30, 2015 is the difference between the fair values of the risk management contracts outstanding as at June 30, 2015 and the fair values as at December 31, 2014.

As at June 30, 2015, if the future strip prices for crude oil were $1.00 per barrel higher with all other variables held constant, the net loss for the three and six months ended June 30, 2015 would have increased by $0.5 million. As at June 30, 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 loss for the three and six months ended June 30, 2015 would have increased by $2.5 million.

Subsequent to June 30, 2015, Delphi entered into contracts to deliver 10,000 gigajoules of natural gas per day for the month of August 2015 at a fixed price of $2.76 per gigajoule. In addition to the physical commodity risk management contract, Delphi entered into a U.S. dollar forward sales agreement in the amount of $300.0 thousand at a fixed Canadian/United States foreign exchange rate of $1.3005. The forward sales agreement is from January 2016 to December 2017.

6) ASSETS AND LIABILITIES HELD FOR SALE

During the second quarter of 2015, Delphi entered into an agreement to sell its working interests associated with its Wapiti cash generating unit ("CGU") for gross proceeds of $50.0 million, subject to closing adjustments. The net proceeds from the disposition will be used to reduce the Company's outstanding indebtedness. The sale of the Company's Wapiti CGU closed on July 22, 2015. As at June 30, 2015, Delphi had received a total of $10.0 million of non-refundable deposits toward the sale of its Wapiti CGU which is included as an offset to assets held for sale on the consolidated statement of financial position. In accordance with IFRS 5, "Non-current Assets Held for Sale", Delphi has measured the assets held for sale at the lower of its carrying amount and fair value less costs to sell, resulting in a loss of $3.8 million which is included in loss on dispositions in the consolidated statement of earnings (loss). The fair value of the assets held for sale was based on the proceeds received for the Company's Wapiti CGU.

Assets	Total
Transfer from property, plant and equipment, net	60,571
Loss on disposition	(3,750)
Deposit on assets held for sale	(10,000)
Balance as at June 30, 2015	**46,821**

Liabilities	Total
Transfer from decommissioning obligations	6,821
Balance as at June 30, 2015	**6,821**

7) 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	334
Balance as at June 30, 2015	**18,943**

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

During the first six months of 2015, Delphi added $334 thousand of exploration and evaluation expenditures related to developing the Montney formation at Bigstone.

8) 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	18,594	1,663	20	20,277
Decommissioning obligations	121	-	-	121
Assets held for sale	(125,910)	(832)	-	(126,742)
Dispositions	(7,975)	-	-	(7,975)
Balance as at June 30, 2015	**578,732**	**74,214**	**1,056**	**654,002**

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	(22,971)	(805)	(62)	(23,838)
Impairment	(17,194)	(1,876)	-	(19,070)
Assets held for sale	65,898	273	-	66,171
Dispositions	7,642	-	-	7,642
Balance as at June 30, 2015	**(298,221)**	**(20,186)**	**(692)**	**(319,099)**
Net book value as at June 30, 2015	**280,511**	**54,028**	**364**	**334,903**
Net book value as at December 31, 2014	362,306	55,605	406	418,317

For the three months ended June 30, 2015, Delphi has included $380.1 million (June 30, 2014: $408.5 million) for future development costs and excluded $2.1 million (June 30, 2014: $2.0 million) for estimated salvage to its costs subject to depletion and depreciation.

For the six months ended June 30, 2015, Delphi capitalized $1.2 million (December 31, 2014: $2.8 million) of general and administrative expenses and $0.6 million (December 31, 2014: $0.9 million) of share-based compensation expense directly related to exploration and development activities.

During the second quarter of 2015, Delphi disposed of a certain interest in its British Columbia CGU for net proceeds of $469 thousand. The net assets sold had a net book value of $333 thousand, including decommissioning obligations of $515 thousand, resulting in a $136.0 thousand gain on the disposition.

During the second quarter of 2015, due to minimal capital spending in all CGUs with the exception of Bigstone, a loss recognized on the sale of the Company's Wapiti CGU and a further decrease in the forward price curves for natural gas and crude oil, Delphi determined that indicators of impairment were present in all CGUs, other than Bigstone. As a result of the impairment tests, Delphi recognized $19.1 million of impairments relating to its Hythe, Miscellaneous Alberta and British Columbia 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.

The following independent reserves evaluators' price estimates were used in the determination of future cash flows for the impairment test:

	Crude Oil		**Natural Gas Liquids**			**Natural Gas**	
Year	**West Texas Intermediate (US$/bbl)**	**Edmonton Par (Cdn$/bbl)**	**Edmonton Propane (Cdn$/bbl)**	**Edmonton Butane (Cdn$/bbl)**	**Edmonton Pentanes Plus (Cdn$/bbl)**	**AECO spot (Cdn$/mmbtu)**	**Exchange rate $US/$Cdn**
2015 (remainder)	61.25	71.56	7.23	41.27	73.03	3.13	0.800
2016	67.50	75.76	18.94	53.03	81.06	3.30	0.825
2017	70.00	76.47	26.76	58.12	81.82	3.50	0.850
2018	75.00	82.35	37.06	62.59	88.12	3.79	0.850
2019	80.00	88.24	39.71	67.06	94.41	3.99	0.850
2020	85.00	94.12	42.35	71.53	100.71	4.20	0.850
2021	90.00	100.00	45.00	76.00	107.00	4.40	0.850
2022	91.90	101.36	45.61	77.04	108.46	4.61	0.850
2023	93.73	103.38	46.52	78.57	110.61	4.80	0.850
2024	95.61	105.46	47.46	80.15	112.84	4.89	0.850
Thereafter (1)	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	0.850

(1) Percentage change of 2% represents the change in future prices each year after 2024 to the end of the reserve life.

9) LONG TERM DEBT AND SUBORDINATED DEBT

	June 30, 2015	December 31, 2014
Senior Credit Facility		
Prime-based loans	**54,000**	38,000
Bankers' acceptances, net of discount	**99,069**	99,281
	153,069	137,281
Subordinated debt, net of finance costs	**19,787**	19,547
Total	**172,856**	156,828

The annual review of the Company's senior extendible revolving term credit facility was conducted during the second quarter of 2015, resulting in a $15.0 million decrease in the borrowing base to $175.0 million. Subsequent to June 30, 2015, the Company's senior extendible revolving term credit facility was re-determined giving effect to the disposition of Delphi's Wapiti CGU, resulting in a $175.0 million credit facility with borrowings in excess of $140.0 million subject to consent of the lenders. With the proceeds from the disposition of the Company's Wapiti CGU, Delphi has repaid $44.0 million on its senior credit facility.

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, 2016 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 24, 2017. 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 semi-annual review of the Company's $175.0 million extendible revolving term credit facility will be conducted during the fourth quarter of 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 subordinated demand credit facility with a Canadian energy and resource lender. Subsequent to June 30, 2015, as a result of the proceeds from the disposition of the Company's Wapiti CGU, the Company repaid $6.0 million on its subordinated facility. The repayment has resulted in a decrease in the facility from $20.0 million to $14.0 million.

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 June 30, 2015**	**Facility subject to financial covenant**
Adjusted working capital ratio	$\geq$ 1.0 : 1.0	3.6	Senior, Subordinated
Net debt to equity ratio	< 1.0 : 1.0	0.6	Subordinated
Net debt to funds from operations ratio as at December 31, 2015	$\leq$ 3.5 : 1.0	N/A	Subordinated

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.

10) SHARE CAPITAL

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

(a) Issued and outstanding		**June 30, 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	**33**	**35**	2,223	2,947
Transferred on exercise of options	**-**	**12**	-	1,368
Balance, end of period	**155,510**	**309,389**	155,477	309,342

As at June 30, 2015, 12.2 million stock options were outstanding with a weighted exercise price of $1.88 per option.

During the six months ended June 30, 2015, 581 thousand restricted share units vested resulting in a cash expense, net of capitalization, of $0.6 million. As at June 30, 2015, 708 thousand restricted share units were outstanding.

(b) Net earnings per share

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

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	**2015**	2014
Weighted average common shares - basic	**155,508**	154,746	**155,493**	154,301
Dilutive effect of share options outstanding	**-**	5,717	**-**	4,750
Weighted average common shares - diluted	**155,508**	160,463	**155,493**	159,051

For the three months ended June 30, 2015, a total of 12.2 million stock options (June 30, 2014: 7.2 million) were excluded from the calculation as they were anti-dilutive. For the six months ended June 30, 2015, a total of 12.2 million stock options (June 30, 2014: 8.2 million) were excluded from the calculation as they were anti-dilutive.

11) SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	**2015**	2014
Source (use) of cash				
Accounts receivable	**111**	7,470	**4,961**	(90)
Prepaid expenses and deposits	**(720)**	(727)	**(566)**	1,559
Outstanding cheques	**(4,401)**	2,012	**-**	2,012
Accounts payable and accrued liabilities	**(10,652)**	(18,998)	**(20,674)**	(2,784)
Total change in non-cash working capital	**(15,662)**	(10,243)	**(16,279)**	697
Relating to:				
Operating activities	**(4,212)**	5,636	**(2,259)**	8,613
Investing activities	**(11,450)**	(15,879)	**(14,020)**	(7,916)
	(15,662)	(10,243)	**(16,279)**	697

DIRECTORS

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

Tony Angelidis
Senior Vice President Exploration
Delphi Energy Corp.

Harry S. Campbell, Q.C. (3)
Chairman
Burnet, Duckworth & Palmer LLP

Robert A. Lehodey, Q.C. (2) (3)
Partner
Osler, Hoskin & Harcourt LLP

Stephen Mulherin (1)
Partner
Polar Capital Corporation

Andrew E. Osis (1) (3)
Independent Businessman

David Sandmeyer (2)
Director
Freehold Royalties Ltd.

Lamont C. Tolley (1) (2)
Independent Businessman

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

AUDITORS

KPMG LLP

LEGAL COUNSEL

Osler, Hoskin & Harcourt LLP

OFFICERS

David J. Reid
President and Chief Executive Officer

Tony Angelidis
Senior Vice President Exploration

Hugo H. Batteke
Vice President Operations

Michael K. Galvin
Vice President Land

Rod A. Hume
Senior Vice President Engineering

Brian P. Kohlhammer
Senior Vice President Finance and Chief Financial Officer

CORPORATE OFFICE

300, 500 – 4th Avenue S.W.
Calgary, Alberta T2P 2V6
Telephone: (403) 265-6171
Facsimile: (403) 265-6207
Email: info@delphienergy.ca
Website: www.delphienergy.ca

BANKERS

National Bank of Canada
The Bank of Nova Scotia
Alberta Treasury Branches

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

300, 500 – 4th Avenue SW
Calgary, Alberta T2P 2V6
P (403) 265-6171
F (403) 265-6207
info@delphienergy.ca
www.delphienergy.ca