

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 twelve months ended December 31, 2015 and 2014 and should be read in conjunction with the audited consolidated financial statements and accompanying notes for the years ended December 31, 2015 and 2014. The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The reporting currency is the Canadian dollar. The discussion and analysis has been prepared as of March 15, 2016.

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 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 cash 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 Northwest Alberta, from which in excess of 90 percent of the Company's production is obtained.

2015 ACCOMPLISHMENTS

What were the highlights of Delphi's operational and financial results in 2015?

In 2015, the Company achieved the following:

- Achieved average production of 9,469 barrels of oil equivalent per day ("boe/d") despite TCPL and Alliance pipeline curtailments and two major property dispositions during the year. The divested properties had production capability of approximately 2,600 boe/d. Average production in the fourth quarter of 2015 was 8,814 boe/d;
- Increased Delphi's field condensate weighting as a percentage of fourth quarter 2015 production volumes to 18 percent, a 29 percent increase from the 14 percent in the comparative quarter of 2014;
- Successfully disposed of its Wapiti and Greater Hythe assets for net proceeds, after closing adjustments, of \$60.2 million;
- Reduced long term and subordinated debt by \$49.3 million from the use of proceeds of dispositions. Net debt at the end of the year was \$121.7 million, down \$52.0 million from \$173.7 million at the end of 2014;
- Reduced the Company's decommissioning obligation by 50 percent to \$24.9 million, primarily due to decommissioning obligations sold with the Wapiti and Greater Hythe assets;
- Increased Montney natural gas liquids ("NGL") and field condensate yields to 97 barrels per million cubic feet ("bbls/mmcf") in 2015, up from 95 bbls/mmcf in 2014. Field and plant condensate yield averaged 65 bbls/mmcf or 67 percent of the total 97 bbls/mmcf;
- Increased Montney production by four percent to 6,590 boe/d compared to 6,344 boe/d in 2014;
- Reduced Delphi's fourth quarter of 2015 operating costs by 26 percent to \$7.63 per boe compared to the third quarter of 2015 and 19 percent compared to the fourth quarter of 2014, largely as a result of the major property dispositions completed during 2015;
- Commenced shipping the majority of the Company's natural gas production into the Chicago market, effective December 1, 2015, through its Alliance pipeline full path firm service agreement, minimizing the exposure to ongoing curtailments on the TCPL pipeline system;
- Successfully drilled six wells (5.3 net) as part of the Company's capital program and completed, tied-in and brought on production six gross (5.3 net) Montney wells in East Bigstone;
- Achieved gross average drilling and completion costs of \$8.1 million per well on the six wells drilled in 2015 compared to gross average drilling and completion costs of \$10.2 million per well in 2014. Drilling and completion costs have been further reduced to an average of \$7.0 million per well on Delphi's most recent three wells;
- Constructed injection facilities on an acquired water disposal well with water injection operations commencing in the fourth quarter of 2015, reducing water disposal costs for produced water from its Bigstone field; and
- Realized gains of \$28.3 million from commodity related risk management contracts offsetting a 40 percent decrease in the AECO natural gas price and 48 percent decrease in WTI oil prices in 2015 compared to 2014. Delphi's future risk management contracts have a mark to market value of \$18.5 million as at December 31, 2015.

In 2015, Delphi took steps to strengthen its balance sheet by reducing net debt by 30 percent in order to maintain financial flexibility and liquidity during this continuing low commodity pricing environment. Funds from operations in 2015 were \$42.9 million or \$0.28 per basic share and diluted share, compared to \$65.2 million or \$0.42 per basic share (\$0.41 per diluted share) in 2014. The decrease in funds from operations from 2014 to 2015 is primarily due to a depressed pricing environment in combination with lower production volumes. In 2015, Delphi recognized \$28.3 million in realized gains on its financial risk management contracts, including \$9.9 million from the monetization of certain financial risk management contracts. The Company remains very well hedged into 2016 and continues to monitor the forward price curves for future hedging opportunities.

2015 OPERATIONAL AND FINANCIAL RESULTS

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Funds

	Three Months Ended December 31, 2015	Twelve Months Ended December 31, 2015
Sources:		
Cash and cash equivalents	-	658
Funds from operations	13,317	42,893
Disposition of petroleum and natural gas properties	13,712	67,578
Exercise of stock options	-	35
Accretion of long term debt	691	124
Changes in non-cash working capital	3,876	-
	31,596	111,288
Uses:		
Cash and cash equivalents	141	-
Capital expenditures	16,183	57,450
Expenditures on decommissioning	318	744
Changes in non-cash working capital	-	3,780
	16,642	61,974
Change in long term debt	(14,954)	(49,314)

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. The Company's financial liabilities arise through the cost of operations and the capital program in order to maintain or increase production and develop reserves, the acquisition of crude oil and natural gas assets, financial instrument contracts and borrowings under the Company's credit facilities.

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 financings, equity financings or cash generated from operations will be available or sufficient to meet these or other

corporate requirements. If debt or equity financing is available, there is no assurance 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 over the past year. In response to this volatility and to preserve financial flexibility, Delphi took a conservative approach to its capital spending plans in 2015. In addition, Delphi disposed of two major properties, its Wapiti and Hythe cash generating units ("CGU"), for net proceeds of \$60.2 million. The proceeds from the dispositions were applied against the Company's senior and subordinated credit facilities. Delphi continuously monitors commodity prices and 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 December 31, 2015?

At December 31, 2015, the Company had \$94.2 million outstanding in the form of bankers' acceptances, \$14.0 million in subordinated debt and a working capital deficiency of \$13.5 million for net debt of \$121.7 million. Net debt is a non-IFRS term. Delphi's calculation of net debt includes long term and subordinated debt and the working capital deficiency (surplus) before the current portion of the fair value of financial instruments.

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

During the third quarter of 2015, the Company's senior extendible revolving credit facility was re-determined giving effect to the disposition of the Company's Wapiti CGU, resulting in a \$175.0 million credit facility with borrowings in excess of \$140.0 million subject to the consent of the lenders. During the fourth quarter of 2015, Delphi's lenders' completed their semi-annual review of the Company's senior credit facilities. The review primarily incorporated the disposition of the Company's Hythe CGU, and parts of its Miscellaneous Alberta CGU and British Columbia CGU ("Greater Hythe") assets, Delphi's risk management program, the continued success of the development of the Company's Montney assets and the lenders' view of future commodity prices. As a result, Delphi's senior credit facility was reduced to \$132.5 million, consisting of a \$15.0 million operating facility and a \$117.5 million revolving facility.

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 25, 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 3.00 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 4.00 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.

As at December 31, 2015, the Company had outstanding letters of credit totaling \$6.2 million.

In addition to the syndicated credit facility, the Company has a subordinated demand credit facility with a Canadian energy and resource lender. During the third quarter of 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. At maturity, the Company expects to repay the subordinated debt through borrowings under its senior credit facility or through an equivalent or similar replacement 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 is presented net of financing costs and 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 ⁽¹⁾	Requirement	As at December 31, 2015	Facility subject to financial covenant
Adjusted working capital ratio	≥ 1.0 : 1.0	1.2	Senior, Subordinated
Net debt to equity ratio	< 1.0 : 1.0	0.6	Subordinated
Net debt to funds from operations ratio ⁽²⁾	≤ 3.5 : 1.0	2.3	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.

(2) Delphi is not subject to a net debt to funds from operations ratio covenant subsequent to December 31, 2015.

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

Adjusted working capital ratio	As at December 31, 2015
Current assets	39,876
Exclusion of the current fair value of financial instruments	(18,877)
Undrawn portion of senior credit facility	38,308
	59,307
Current liabilities	51,479
Exclusion of the current fair value of financial instruments	(3,008)
	48,471
Adjusted working capital ratio	1.2

Net debt to funds from operations ratio	As at December 31, 2015
Long term debt	94,192
Subordinated debt	13,954
Current liabilities	51,479
Exclusion of the current portion of subordinated debt	(13,954)
Current assets	(39,876)
Exclusion of the net current fair value of financial instruments	15,869
Net debt	121,664
Funds from operations for the three months ended December 31, 2015	13,317
Annualized (multiplied by four)	53,268
Net debt to funds from operations ratio	2.3

Delphi is in compliance with all covenants of its credit facilities as at December 31, 2015.

The annual review of the Company's \$132.5 million extendible revolving term credit facility will be conducted prior to May 25, 2016. 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.

Share Capital

How many common shares and stock options are currently outstanding?

As at March 15, 2016, the Company had 155.5 million common shares outstanding and 14.4 million share options outstanding. The share options have an average exercise price of \$1.71 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 twelve months ended December 31, 2015:

	Three Months Ended December 31, 2015	Twelve Months Ended December 31, 2015
Weighted Average Common Shares		
Basic	155,510	155,500
Diluted	155,510	155,500
Trading Statistics ⁽¹⁾		
High	0.93	1.79
Low	0.69	0.69
Average daily volume (in thousands)	446	421

(1) Trading statistics based on closing price.

BUSINESS ENVIRONMENT

What external factors of the business environment did the Company have to contend with in 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 December 31			Twelve Months Ended December 31		
	2015	2014	% Change	2015	2014	% Change
Natural Gas						
NYMEX (U.S. \$/mmbtu)	2.24	3.86	(42)	2.63	4.27	(38)
AECO (Cdn \$/mcf)	2.46	3.60	(32)	2.69	4.48	(40)
Crude Oil						
West Texas Intermediate (U.S. \$/bbl)	42.17	73.12	(42)	48.76	92.92	(48)
Edmonton Light (Cdn \$/bbl)	52.91	75.63	(30)	57.11	94.38	(39)
Foreign Exchange						
Canadian to U.S. dollar	0.75	0.88	(15)	0.78	0.91	(14)
U.S. to Canadian dollar	1.34	1.14	18	1.28	1.10	16

Natural Gas

The AECO benchmark natural gas price has decreased 32 percent and 40 percent in the three and twelve months ended December 31, 2015, in comparison to the same time periods in 2014. Increased natural gas storage levels coupled with insufficient demand for the incremental natural gas production volumes has created a supply/demand imbalance. This imbalance has caused the price for natural gas to decrease in comparison to the comparative periods.

Crude Oil

Global supply/demand fundamentals for crude oil continue to be in an oversupply position as the Organization of Petroleum Exporting Countries ("OPEC"), Russia and U.S. production remains relatively strong with a corresponding growth in crude

oil inventories to all time historical highs as a result of slower than anticipated global demand growth. This imbalance has caused a significant decrease in the West Texas Intermediate (“WTI”) price for crude oil.

WTI averaged U.S. \$42.17 per barrel in the fourth quarter of 2015 and U.S. \$48.76 per barrel for the year ended December 31, 2015, a decrease of 42 percent and 48 percent over the respective comparative periods in 2014. Canadian prices experienced a narrowing basis differential as well as a decline in the Canadian to U.S. dollar exchange rate. Edmonton Light averaged \$52.91 per barrel in the fourth quarter of 2015, down 30 percent compared to the same period in 2014, and \$57.11 per barrel for the year ended December 31, 2015, down 39 percent from 2014.

Natural Gas Liquids

Natural gas liquids include ethane, propane, butane, pentane and plant condensate are generally priced off light oil and natural gas prices. Ethane prices are correlated to natural gas prices while propane and butane prices trade at a discount to light oil prices depending on supply/demand conditions. The natural gas and crude oil supply/demand imbalance has placed continued pressure on natural gas liquids pricing throughout 2015. 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.

Canadian/United States Exchange Rate

The value of the Canadian dollar against its U.S. counterpart averaged \$0.75 and \$0.78 for the three and twelve months ended December 31, 2015, a 15 percent and 14 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 2015?

Delphi’s successful drilling program in 2015 was focused on the Bigstone Montney formation, drilling six gross (5.3 net) wells, including two gross (1.7 net) wells which were drilled during the fourth quarter of 2015. In comparison, Delphi was successful in drilling eight gross (7.6 net) wells in 2014 which were also focused on the Bigstone Montney formation.

	Three Months Ended December 31, 2015		Twelve Months Ended December 31, 2015	
	Gross	Net	Gross	Net
Liquids-rich natural gas	2.0	1.7	6.0	5.3
Success rate (%)	100	100	100	100

CAPITAL INVESTED

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

During the fourth quarter of 2015, Delphi invested \$16.2 million primarily on drilling and completions. Delphi drilled two gross (1.7 net) wells and performed completion operations on two gross (1.8 net) wells in its Bigstone area. The Company also invested in its water disposal facility which was subsequently commissioned in the fourth quarter. During the fourth quarter of 2015, Delphi disposed of its Greater Hythe assets for net proceeds of \$11.4 million. In addition, Delphi received proceeds of \$2.3 million in exchange for a gross overriding royalty on a well completed during the quarter as part of Delphi’s latest five well gross overriding royalty arrangement.

In 2015, Delphi invested \$57.5 million of capital expenditures, of which 81 percent was directed toward drilling, completion operations and equipping. Delphi drilled six gross (5.3 net) wells and completed, tied-in and brought on production six gross (5.3 net) Montney wells, of which one well was drilled during the fourth quarter of 2014. The drilling program was directed at infill locations to minimize capital spending on infrastructure. Delphi invested \$8.0 million or 14 percent of capital toward pipeline tie-ins, plant infrastructure and its water disposal facility.

During 2015, Delphi has received total net proceeds of \$67.6 million for the disposition of its Wapiti CGU, a minor property in British Columbia, its Greater Hythe CGU and the granting of a gross overriding royalty on three gross wells completed during the year. 2015 production associated with the property dispositions is an average of 1,678 boe/d, with a production portfolio weighted one percent to crude oil, 83 percent to natural gas and 16 percent to natural gas liquids. Total land associated with the dispositions consisted of 138,163 net acres.

As of December 31, 2015, Delphi has a working interest in a total of 103.5 gross (88.8 net) sections of undeveloped land as part of 140.5 gross (119.0 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 December 31			Twelve Months Ended December 31		
	2015	2014	% Change	2015	2014	% Change
Land ⁽¹⁾	43	(686)	-	47	394	(88)
Seismic	-	13	-	-	127	-
Drilling, completions and equipping	13,351	16,217	(18)	46,794	74,331	(37)
Facilities	2,289	660	247	8,010	22,814	(65)
Capitalized expenses	494	643	(23)	2,556	3,034	(16)
Other	6	5	20	43	151	(72)
Capital invested	16,183	16,852	(4)	57,450	100,851	(43)
Disposition of properties	(13,712)	(651)	2,006	(67,578)	(16,615)	307
Net capital invested	2,471	16,201	(85)	(10,128)	84,236	(112)
Acquisition of undeveloped properties	-	-	-	-	8,800	-
Acquisition of developed properties	-	8,858	-	-	8,858	-
Total capital invested	2,471	25,059	(90)	(10,128)	101,894	(110)

(1) In the third quarter of 2014, a \$750 thousand deposit related to the acquisition of developed properties was included in this category.

PRODUCTION

What factors contributed to the production volumes?

In 2015, Delphi has been exposed to pipeline restrictions due to maintenance and mandated inspections on the TransCanada pipeline system. Although the curtailments have been mitigated as much as possible, sales volumes have been negatively impacted by the restrictions. On December 1, 2015, Delphi commenced transporting most of its natural gas volumes under its Alliance pipeline full path firm service agreement, minimizing the exposure to ongoing curtailments on the TransCanada system.

Production volumes for the three months ended December 31, 2015 averaged 8,814 boe/d, a 27 percent decrease over the comparative period. Production volumes decreased in the fourth quarter of 2015 primarily due to the disposition of the Company's Wapiti CGU in July 2015 and the Greater Hythe assets on December 1, 2015, in combination with curtailments on the TransCanada pipeline system.

Production volumes for 2015, averaged 9,469 boe/d compared to an average of 10,549 boe/d in 2014, representing a decrease of 10 percent. Production volumes decreased due to the disposition of the Company's Wapiti and Greater Hythe assets, in combination with TransCanada pipeline restrictions throughout the year and the Alliance pipeline force majeure during the third quarter of 2015. The decrease in production was partially offset by an increase in Montney production as a result of the Company's successful drilling program.

The Company's production portfolio for the fourth quarter of 2015 was weighted 18 percent to field condensate, 16 percent to natural gas liquids and 66 percent to natural gas. This compares to a production portfolio for the comparative quarter in 2014 weighted 14 percent to field condensate, 17 percent to natural gas liquids, and 69 percent to natural gas. For the year ended December 31, 2015, Delphi's production portfolio was weighted 15 percent to field condensate, 15 percent to natural gas liquids and 70 percent to natural gas. For the fourth quarter of 2015, the Montney production consisted of 23 percent field condensate, 17 percent natural gas liquids and 60 percent natural gas.

Field condensate as a percentage of total crude oil and natural gas liquids increased to 53 percent for the three months ended December 31, 2015 compared to 44 percent for the comparative quarter in 2014. For the twelve months ended December 31, 2015, field condensate as a percentage of total crude oil and natural gas liquids was 50 percent compared to 44 percent for the comparative period in 2014.

	Three Months Ended December 31			Twelve Months Ended December 31		
	2015	2014	% Change	2015	2014	% Change
Field condensate (bbls/d)	1,606	1,639	(2)	1,440	1,421	1
Natural gas liquids (bbls/d)	1,414	2,020	(30)	1,433	1,669	(14)
Crude oil (bbls/d)	7	53	(87)	27	171	(84)
Total crude oil and natural gas liquids (bbls/d)	3,027	3,712	(18)	2,900	3,261	(11)
Natural gas (mcf/d)	34,719	49,939	(30)	39,416	43,729	(10)
Total (boe/d)	8,814	12,035	(27)	9,469	10,549	(10)

REALIZED SALES PRICES

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

For the three months ended December 31, 2015, Delphi realized an average sales price of \$37.09 per boe, a ten percent increase when compared to the same quarter in 2014. The increase in the realized average sales price is due to realized gains on risk management contracts, partially offset by a decrease in commodity prices. During the fourth quarter of 2015, Delphi monetized \$5.9 million of commodity risk management contracts which had an impact of \$7.28 per boe.

For the year ended December 31, 2015, Delphi realized an average sales price of \$31.43 per boe, a 22 percent decrease in comparison to the same period in 2014. The decrease in the realized average sales price is primarily due to a significant decrease in commodity prices partially offset by an increase in realized gains on commodity risk management contracts. During the year, Delphi monetized \$9.9 million of commodity risk management contracts which had an impact of \$2.85 per boe.

For the three months ended December 31, 2015, Delphi's realized natural gas price increased 51 percent in comparison to the same period in 2014. The increase in the realized natural gas sales price is due to an increase in realized gains on physical and financial risk management contracts and a premium received for Delphi's product. For the year ended December 31, 2015, Delphi's realized natural gas sales price decreased eight percent compared to the same period in 2014. The decrease is primarily a result of a significant decrease in the average daily AECO benchmark price of 40 percent and a decrease in the premium received, partially offset by an increase in realized physical and financial gains on risk management contracts. 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 was in place until the end of November 2015.

Realized crude oil and field condensate prices were 25 percent lower for the three months ended December 31, 2015 compared to the same period in 2014. Realized crude oil and field condensate prices were 20 percent lower for the twelve months ended December 31, 2015 compared to the same period in 2014. The decrease in the realized sales price is primarily due to a significant drop in Edmonton light and a greater differential, partially offset by a significant increase in realized financial gains on risk management contracts.

Delphi's realized natural gas liquids price for the three and twelve months ended December 31, 2015 decreased 46 percent and 61 percent compared to the same periods in 2014, respectively. The decrease is a result of weakening commodity prices for all natural gas liquids, specifically for propane.

	Three Months Ended December 31			Twelve Months Ended December 31		
	2015	2014	% Change	2015	2014	% Change
AECO (\$/mcf)	2.46	3.60	(32)	2.69	4.48	(40)
Heating content and marketing (\$/mcf)	0.22	0.04	450	0.02	0.39	(95)
Realized price before risk management contracts (\$/mcf)	2.68	3.64	(26)	2.71	4.87	(44)
Gain (loss) on physical contracts (\$/mcf)	0.16	0.07	129	0.06	-	-
Gain (loss) on financial contracts (\$/mcf)	2.76	(0.01)	-	1.23	(0.52)	-
Realized natural gas price (\$/mcf)	5.60	3.70	51	4.00	4.35	(8)
Edmonton Light (\$/bbl)	52.91	75.63	(30)	57.11	94.38	(39)
Quality differential (\$/bbl)	(5.86)	(1.02)	475	(2.40)	(0.05)	4,700
Realized price before risk management contracts (\$/bbl)	47.05	74.61	(37)	54.71	94.33	(42)
Gain (loss) on financial contracts (\$/bbl)	18.01	12.12	49	19.69	(1.13)	(1,842)
Realized oil and field condensate price (\$/bbl)	65.06	86.73	(25)	74.40	93.20	(20)
Delphi's realized natural gas liquids price (\$/bbl)	18.94	35.20	(46)	19.70	50.07	(61)
Total realized sales price (\$/boe)	37.09	33.75	10	31.43	40.23	(22)

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 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 – February 2016	Financial - fixed	3,000 GJ/d	\$3.40 Cdn	AECO
December 2015 – December 2016	Financial - fixed	5,000 mmbtu/d	\$3.45 U.S.	NYMEX
December 2015 – December 2016	Financial - fixed	5,000 mmbtu/d	\$3.57 U.S.	NYMEX
December 2015 – December 2017	Financial - fixed	5,000 mmbtu/d	\$3.55 U.S.	NYMEX
January 2016 – September 2016	Financial - fixed	2,400 mmbtu/d	\$2.815 U.S.	Chicago
January 2016 – December 2016	Financial - fixed	2,500 GJ/d	\$3.69 Cdn	AECO
January 2016 – December 2016	Financial - fixed	5,000 mmbtu/d	\$3.86 U.S.	NYMEX
March 2016 – September 2016	Financial - fixed	2,850 mmbtu/d	\$2.718 U.S.	Chicago
January 2017 – December 2017	Financial - fixed	2,500 mmbtu/d	\$3.86 U.S.	NYMEX
January 2017 – December 2017	Financial - fixed	4,500 mmbtu/d	\$4.02 Cdn	NYMEX
January 2017 – December 2018	Financial - fixed	3,000 mmbtu/d	\$2.77 U.S.	NYMEX
January 2017 – December 2017	Financial - fixed	2,500 GJ/d	\$3.75 Cdn	AECO
January 2018 – December 2019	Financial - fixed	2,000 mmbtu/d	\$4.02 Cdn	NYMEX

Basis Differential Contracts

Commencing December 1, 2015, Delphi began shipping the majority of its natural gas production through the Alliance pipeline system into the Chicago market. As a result, the Company has entered into Chicago – NYMEX basis differential contracts in order to fix the Chicago price on a portion of its production.

Time Period	Type of Contract	Quantity Contracted	Differential (U.S. \$/unit)
December 2015 – December 2016	Chicago – NYMEX differential	2,500 mmbtu/d	\$0.010
December 2015 – December 2016	Chicago – NYMEX differential	5,000 mmbtu/d	\$0.020
December 2015 – December 2016	Chicago – NYMEX differential	5,000 mmbtu/d	\$0.010
December 2015 – December 2016	Chicago – NYMEX differential	2,500 mmbtu/d	\$0.010
January 2016 – December 2016	Chicago – NYMEX differential	2,500 mmbtu/d	\$0.025
January 2016 – December 2016	Chicago – NYMEX differential	2,500 mmbtu/d	\$0.020

Crude Oil Contracts

Time Period	Type of Contract	Quantity Contracted	Price (\$/unit)	Reference
January 2016 – December 2016	Financial - fixed	200 bbls/d	\$78.46 Cdn	WTI
January 2016 – December 2016	Financial - fixed	200 bbls/d	\$78.35 Cdn	WTI
January 2016 – December 2016	Financial – collar ⁽¹⁾	400 bbls/d	\$78.60 - \$85.00 Cdn	WTI

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

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

Commencing December 1, 2015, Delphi's natural gas price is predominantly based on the Chicago index and exposed to Cdn/U.S. foreign exchange fluctuations. In order to mitigate this risk, Delphi has entered into U.S. dollar forward exchange contracts.

Time Period	Average Notional U.S. \$	Exchange Rate (U.S.\$ to Cdn\$)
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	200.0	1.3050
January 2016 – December 2017	200.0	1.3075
January 2016 – December 2017	300.0	1.3005
February 2016 – December 2016	431.8	1.4057
January 2017 – December 2017	85.4	1.3476
January 2017 – December 2017	55.0	1.3800

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

Delphi has entered into the following interest rate swap transactions on borrowings through bankers' acceptances:

Time Period	Notional \$	Fixed Interest Rate
May 2015 to April 2017	30,000	0.875%
February 2016 to February 2018	30,000	0.63%
February 2016 to February 2018	15,000	0.64%

What is the fair value of Delphi's risk management contracts?

The fair value of the financial contracts outstanding as at December 31, 2015 is estimated to be an asset of approximately \$18.5 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 year having regard to forward prices and market values provided by independent sources. Due to the inherent volatility in commodity prices, actual amounts realized may differ from these estimates.

For the three months ended December 31, 2015, the derivative commodity contracts resulted in a realized gain of \$11.5 million and an unrealized loss of \$4.0 million. In the fourth quarter of 2015, Delphi monetized risk management contracts for \$5.9 million which is included in the realized gains on financial instruments in the consolidated statement of earnings. For the twelve months ended December 31, 2015, the derivative commodity contracts resulted in a realized gain of \$28.3 million and an unrealized loss of \$1.6 million. During the year, Delphi monetized risk management contracts for \$9.9 million which is included in the realized gains on financial instruments in the consolidated statement of earnings. The unrealized loss for the three and twelve months ended December 31, 2015, is the difference between the fair value of the commodity risk management contracts outstanding as at December 31, 2015 and the fair value as at September 30, 2015 and December 31, 2014, 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.

REVENUE

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

Delphi generated revenue of \$18.6 million in the fourth quarter of 2015, a 48 percent decrease over the comparative period. The decrease in revenues is primarily due to a decrease in natural gas and natural gas liquids sales volumes in combination with a significant decrease in market benchmark prices for all commodities. Natural gas and natural gas liquids sales volumes decreased primarily due to the property dispositions during the year.

For the year ended December 31, 2015, Delphi generated revenue of \$80.3 million, a 51 percent decrease in comparison to the same period in 2014. The decrease in revenue is primarily due to a significant decrease in commodity prices in combination with a ten percent reduction in sales volumes partly due to the property dispositions during the year. Crude oil revenue decreased as a result of the disposition of producing oil properties in the third quarter of 2014.

For the fourth quarter of 2015, field condensate and natural gas liquids contributed 51 percent of total revenues compared to 50 percent in the same period in 2014. For the years ended December 31, 2014 and 2015, field condensate and natural gas liquids contributed 48 percent of total revenues.

	Three Months Ended December 31			Twelve Months Ended December 31		
	2015	2014	% Change	2015	2014	% Change
Natural gas	8,582	16,714	(49)	38,921	77,712	(50)
Natural gas physical contract gains (loss)	493	359	37	873	18	4,750
Field condensate	6,956	11,220	(38)	28,479	48,822	(42)
Natural gas liquids	2,464	6,542	(62)	10,305	30,502	(66)
Crude oil	27	392	(93)	797	5,990	(87)
Sulphur	79	307	(74)	900	826	9
Total	18,601	35,534	(48)	80,275	163,870	(51)

ROYALTIES

What were royalty costs in 2015?

For the fourth quarter of 2015, royalties totaled \$3.1 million compared to \$4.4 million in the same period in 2014. Crown royalties decreased from the fourth quarter of 2014 to the fourth quarter of 2015 due to a significant decrease in commodity prices in combination with lower production volumes. Crown royalty credits, the cost of processing the Crown's share of natural gas production, decreased in the fourth quarter of 2015 in comparison to the same period in 2014, primarily due to lower royalties paid to the Crown as a result of the significant decrease in commodity prices. Royalty credits are limited to Crown royalties paid. Delphi has provided for a repayment of Crown royalty credits related to this restriction. The Crown royalty credits are largely based on the amortization of historical capital and operating costs and do not fluctuate based on commodity prices but are restricted to Crown royalties paid. During the fourth quarter of 2015, gross overriding royalties decreased 44 percent in comparison to the same period in 2014. The gross overriding royalties decreased as a result of a significant reduction in commodity prices in combination with reduced sales volumes.

For the year ended December 31, 2015, royalties totaled \$7.7 million compared to \$24.7 million for the same period in 2014. Crown royalties decreased 64 percent primarily due to a decrease in commodity prices, a reduction in sales volumes due to the 2015 property dispositions and the disposition of oil producing properties in the third quarter of 2014. Crown royalty credits decreased 16 percent in 2015 compared to 2014 as a result of the 2015 property dispositions which included qualifying infrastructure for Crown royalty credits in combination with lower commodity prices as royalty credits are limited to Crown royalties paid. This restriction is calculated on a facility basis and not at a corporate level. In the twelve months ended December 31, 2015, gross overriding royalties decreased 56 percent in comparison to the same period in 2014. The decrease is due to lower commodity prices, as well as the disposition of oil producing properties in the third quarter of 2014 which were encumbered with gross overriding royalties.

	Three Months Ended December 31			Twelve Months Ended December 31		
	2015	2014	% Change	2015	2014	% Change
Crown royalties	1,125	2,722	(59)	5,154	14,226	(64)
Royalty credits	260	(1,374)	(119)	(4,357)	(5,182)	(16)
Crown royalties – net	1,385	1,348	3	797	9,044	(91)
Gross overriding royalties	1,721	3,083	(44)	6,908	15,620	(56)
Total	3,106	4,431	(30)	7,705	24,664	(69)
Per boe	3.83	4.00	(4)	2.23	6.41	(65)

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

For the three months ended December 31, 2015, the average royalty rate increased to 17.1 percent, up from 12.6 percent in the comparative period in 2014. The increase in the average royalty rate is primarily due to the recognition of a repayment of Crown royalty credits associated with 2015 as Crown royalty credits are limited to Crown royalties paid, partially offset by a decrease in Crown royalty rates due to a decline in commodity prices. Crown royalty credits do not fluctuate based on commodity prices, but rather are based on prior years capital spending and operating costs. Crown royalty credits are limited to Crown royalties paid. This restriction is calculated at a facility level and not at a corporate level. The gross overriding royalty rate increased to 9.5 percent in the fourth quarter of 2015 from 8.8 percent in the fourth quarter of 2014. The increase in the gross overriding royalty rate is due to the addition of new wells in the Montney area which are encumbered by a gross overriding royalty.

For the year ended December 31, 2015, the average royalty rate decreased 36 percent in comparison to the same period in 2014. The Crown royalty rate decreased as a result of significantly lower commodity prices, increased production from wells that take advantage of royalty incentive programs and a decrease in oil royalties, which have higher royalty rates, due to the disposition of the majority of the Company's producing oil properties in the third quarter of 2014. The gross overriding royalty rate decreased to 8.7 percent for the year ended December 31, 2015. The decrease is primarily due to the disposition of oil producing properties in the third quarter of 2014 which were encumbered by gross overriding royalties partially offset by the addition of new wells in the Montney area which are encumbered by a gross overriding royalty.

	Three Months Ended December 31			Twelve Months Ended December 31		
	2015	2014	% Change	2015	2014	% Change
Crown rate – net of royalty credits	7.6%	3.8%	100	1.0%	5.5%	(82)
Gross overriding rate	9.5%	8.8%	8	8.7%	9.6%	(9)
Average rate	17.1%	12.6%	36	9.7%	15.1%	(36)

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 2015 compare to 2014?

Production costs for the three months ended December 31, 2015 decreased 38 percent in comparison to the same period in 2014. Production costs have decreased as a result of lower sales volumes, the disposition of the Company's Wapiti CGU in July 2015 and lower costs associated with its Bigstone and Hythe CGUs. The Bigstone CGU incurred lower repairs and maintenance costs and significantly lower costs related to the cleanup of a pipeline leak first discovered in 2014. Fourth quarter operating expenses of 2015 also include a positive adjustment to costs relating to a prior period equalization. Operating costs for the Company's Hythe CGU were lower primarily due to cost savings and efficiencies associated with taking over the operatorship of the Goodfare plant during the first quarter of 2015 and reduced repairs and maintenance costs.

Production costs for the twelve months ended December 31, 2015 decreased 14 percent over the comparative period in 2014. The decrease in operating costs is primarily due to a reduction in costs as a result of lower sales volumes, the disposition of the Company's Wapiti CGU in July 2015 and lower costs associated with its Bigstone, Hythe and Tower Creek CGUs. The Bigstone CGU incurred less repairs and maintenance, a positive adjustment related to prior period equalizations and lower costs related to the cleanup of a pipeline leak in the area discovered in 2014. The Hythe CGU incurred less fuel and power, maintenance and repairs and other cost savings associated with taking over operatorship of the Goodfare plant

during the first quarter of 2015. In 2015, Tower Creek incurred less processing fees as a result of an improved processing fee arrangement.

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 decreased ten percent in the fourth quarter of 2015 compared to the same period in 2014 due to the disposition of the Company's Wapiti CGU which included working interests in facilities that earned processing income. For the twelve months ended December 31, 2015, processing income increased 16 percent over the comparative period in 2014 as a result of higher partner production volumes being processed at the Company's Montney facility due to the completion of additional Montney wells and water disposal income associated with the water disposal facility commissioned in the fourth quarter of 2015.

	Three Months Ended December 31			Twelve Months Ended December 31		
	2015	2014	% Change	2015	2014	% Change
Production costs	6,944	11,262	(38)	33,626	38,953	(14)
Processing income	(760)	(846)	(10)	(3,289)	(2,835)	16
Total	6,184	10,416	(41)	30,337	36,118	(16)
Per boe	7.63	9.41	(19)	8.78	9.38	(6)

TRANSPORTATION EXPENSES

What factors contributed to the change in transportation costs in 2015?

For the three months ended December 31, 2015, transportation expenses increased ten percent compared to the same period in 2014. The increase in transportation expenses is primarily due to higher gas transportation fees partially offset by lower expenses for trucking field condensate. Gas transportation fees increased as the Company commenced its full path firm service with the Alliance pipeline system on December 1, 2015, allowing Delphi to ship its natural gas into the Chicago market. Field condensate trucking charges decreased in the fourth quarter of 2015 compared to the fourth quarter of 2014 primarily as a result of reduced waiting times at the terminals.

For the twelve months ended December 31, 2015, transportation expenses decreased one percent in comparison to the same period in 2014. The decrease is due to a reduction in gas gathering fees partially offset by an increase in gas transportation fees. 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 during the third quarter of 2014 rather than going through a third party pipeline to the SemCams KA processing facility. The increase in gas transportation fees primarily reflects the commencement of the Company's full path firm service on the Alliance pipeline system in December 2015.

	Three Months Ended December 31			Twelve Months Ended December 31		
	2015	2014	% Change	2015	2014	% Change
Total	4,014	3,649	10	13,719	13,927	(1)
Per boe	4.95	3.30	50	3.97	3.62	10

GENERAL AND ADMINISTRATIVE

How do general and administrative costs in 2015 compare to 2014?

General and administrative ("G&A") expenses (after recoveries and allocations) for the three and twelve months ended December 31, 2015 were \$1.7 million and \$5.7 million, respectively, compared to \$0.8 million and \$5.4 million for the same periods in 2014, respectively.

Gross expenses in the fourth quarter of 2015 are 13 percent higher than the comparative period primarily due to personnel costs associated with termination benefits related to Delphi's 33 percent reduction in its head count as a result of the major property dispositions in the year. Overhead recoveries decreased 49 percent due to the Wapiti disposition as well as the fourth quarter of 2014 included marketing fee recoveries from prior periods. Salary allocations in the fourth quarter decreased 20 percent as a result of the property dispositions in 2015.

For the year ended December 31, 2015, G&A expenses increased seven percent in comparison to the same period in 2014. Gross expenses in 2015 decreased eight percent compared to 2014 primarily as a result of lower personnel costs and a higher foreign exchange gain on U.S. dollar denominated balances. Overhead recoveries decreased 25 percent and salary allocations decreased 18 percent in comparison to the same period in 2014. The decrease in overhead recoveries is due to a lower capital program in 2015 compared to 2014. Salary allocations decreased as a result of lower personnel costs and less allocations due to the property dispositions in 2015.

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

	Three Months Ended December 31			Twelve Months Ended December 31		
	2015	2014	% Change	2015	2014	% Change
Gross expenses	2,898	2,573	13	10,682	11,601	(8)
Overhead recoveries	(484)	(947)	(49)	(1,809)	(2,415)	(25)
Salary allocations	(674)	(844)	(20)	(3,140)	(3,828)	(18)
General and administrative expenses	1,739	782	122	5,732	5,358	7
Per boe	2.15	0.71	203	1.66	1.39	19

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 decreased 59 percent and 24 percent for the three and twelve months ended December 31, 2015, respectively as compared to the same periods in 2014. The decrease is due to the Company not granting stock options until December 2015 as compared to previous year grants which tended to occur during the second quarter and a greater number of stock options that vested in 2014.

In the fourth quarter of 2015, Delphi granted 2.4 million options. The weighted average fair value of options granted during the period was \$0.36 per option.

Share-based compensation expense related to the Company's RSUs decreased in the three and twelve months ended December 31, 2015 in comparison to the same periods in 2014. The decrease in the expense for the fourth quarter of 2015 compared to the same quarter in 2014 is due to a lower closing share price as at December 30, 2015 compared to December 30, 2014 in combination with a decrease in outstanding units. The decrease in the expense for the twelve months ended December 31, 2015 compared to the same period in 2014 is also due to a lower closing share price as at December 30, 2015 compared to December 30, 2014 in combination with a decrease in outstanding units as at December 31, 2015 as well as lower share prices used for calculating the expense related to vested and paid out RSUs during the year. Capitalized share-based compensation decreased in the three and twelve months ended December 31, 2015 in comparison to the same periods in 2014 as a result of a re-allocation in 2014 of the capitalized expense related to the RSUs.

During the year ended December 31, 2015, the Company paid out \$1.0 million related to the Company's RSUs of which \$0.3 million was capitalized to property, plant and equipment. During the year ended December 31, 2014, the Company paid out \$2.3 million of share-based cash compensation expense related to the Company's outstanding RSUs of which \$0.3 million was capitalized to property, plant and equipment.

	Three Months Ended December 31			Twelve Months Ended December 31		
	2015	2014	% Change	2015	2014	% Change
Share-based compensation – Options	273	658	(59)	1,764	2,314	(24)
Share-based compensation – RSUs	109	(1,154)	(109)	169	1,887	(91)
Capitalized costs	(79)	(297)	(73)	(673)	(906)	(26)
Net	303	(793)	(138)	1,260	3,295	(62)
Per boe	0.38	(0.71)	(154)	0.36	0.86	(58)

GAIN ON PROPERTY DISPOSITIONS

What does the gain on property dispositions relate to?

In the second quarter of 2015, Delphi disposed of a certain interest in its British Columbia CGU for net proceeds of \$469 thousand. The assets sold had a net book value of \$333 thousand, including decommissioning obligations of \$515 thousand, resulting in a \$136 thousand gain on the disposition.

During the third quarter of 2015, Delphi disposed of its Wapiti CGU for net proceeds of \$48.8 million. The assets had a net book value of \$53.5 million, including decommissioning obligations of \$6.8 million, resulting in a \$4.7 million loss on the disposition.

During the fourth quarter of 2015, the Company disposed of its Greater Hythe assets for net proceeds of \$11.4 million. The assets had a net book value of \$1.4 million, including decommissioning obligations of \$17.3 million, resulting in a gain of \$10.0 million.

In addition, Delphi received proceeds of \$6.9 million in exchange for a gross overriding royalty on three gross wells completed during the year. A gain of \$2.9 million was recorded on the sale of gross overriding royalties.

In 2014, Delphi received net proceeds of \$16.7 million for oil and gas properties with a net book value of \$9.7 million, including decommissioning liabilities of \$2.8 million, resulting in a gain of \$6.9 million. In addition, Delphi exchanged assets with a net book value of \$69 thousand for assets with a fair value of \$1.3 million, resulting in a gain of \$1.2 million.

A summary of the 2015 dispositions is as follows:

Property	Net Proceeds	Net Book Value	Loss (Gain)
Interest in BC CGU	468	336	(132)
Wapiti CGU	48,850	53,490	4,640
Greater Hythe Assets	11,360	1,387	(9,973)
Gross Overriding Royalty	6,900	4,066	(2,834)
Total	67,578	59,279	(8,299)
Per boe	-	-	(2.40)

FINANCE COSTS

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

For the three and twelve months ended December 31, 2015, interest charges decreased 16 percent and one percent, respectively, compared to the same periods in 2014, as a result of a lower average debt balance. Delphi has applied proceeds from the dispositions in 2015 against its senior and subordinated credit facilities. The bankers' acceptances outstanding at December 31, 2015 have terms ranging from 90 to 181 days and a weighted average effective interest rate of 4.29 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 47 years. The decrease in accretion expense is due to a lower decommissioning obligation throughout 2015 compared to 2014 in combination with lower risk free interest rates used to calculate the expense. The decommissioning obligation decreased significantly over the year with \$24.7 million of the decrease related to the dispositions in 2015.

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 \$14.0 million plus a deferred fee of 1.5 percent.

	Three Months Ended December 31			Twelve Months Ended December 31		
	2015	2014	% Change	2015	2014	% Change
Interest	1,722	2,053	(16)	7,519	7,592	(1)
Accretion	127	293	(57)	807	1,166	(31)
Finance charges	129	52	148	507	396	28
Total finance costs	1,978	2,398	(18)	8,833	9,154	(4)
Interest per boe	2.12	1.85	15	2.18	1.97	11
Accretion per boe	0.16	0.26	(38)	0.23	0.30	(23)
Finance charges per boe	0.16	0.05	220	0.15	0.10	50

DECOMMISSIONING EXPENSE

What does the decommissioning expense relate to?

For the twelve months ended December 31, 2015, and December 31, 2014, the Company recognized \$0.4 million of decommissioning expense. The decommissioning expense is the difference between decommissioning expenditures incurred in the period and the carrying amount of the Company's decommissioning obligation for those specific assets. The expense recorded primarily relates to difficulties experienced during the abandonment of a well in British Columbia.

DEPLETION, DEPRECIATION AND IMPAIRMENT

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

Depletion and depreciation before impairment loss for the three and twelve months ended December 31, 2015 decreased 37 percent and eleven percent compared to the same periods in 2014, respectively. The decrease is primarily due to the 2015 property dispositions and lower production volumes. The Wapiti CGU was disposed of during the third quarter of 2015 and the Greater Hythe assets were sold in the fourth quarter of 2015.

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.

As at December 31, 2015, Delphi identified indicators of impairment, such as the continued weak commodity price environment and a reduction in property cash flows. As a result, the Company's only remaining CGU, Bigstone, was tested for impairment. Delphi has recognized a \$33.9 million impairment based on the difference between the year-end carrying value and the CGU's estimated recoverable amount. This is the first time the Bigstone CGU has experienced an impairment. Delphi rationalizes this impairment as being associated with the Company's first four wells drilled in the Montney at Bigstone which were completed using a gelled oil fracturing technique yielding significantly lower reserves and production rates as compared to the Company's subsequent wells which were completed using a slickwater fracturing technique. The value in use methodology included the expected future cash flows of proved and probable reserves using a pre-tax discount rate of approximately eleven percent plus an estimate of the fair value of the undeveloped land associated with the CGU's reserves.

For the year ended December 31, 2014, the Company recognized \$56.5 million of impairments relating to its Hythe, Wapiti, Berland River, Miscellaneous Alberta and NEBC 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 December 31			Twelve Months Ended December 31		
	2015	2014	% Change	2015	2014	% Change
	Depletion and depreciation	8,803	14,010	(37)	40,096	44,929
Impairment loss	33,891	56,548	(40)	52,961	56,548	(12)
Total	42,694	70,558	(39)	93,057	101,477	(8)
Depletion and depreciation per boe	10.86	12.65	(14)	11.60	11.67	(1)
Impairment loss per boe	41.79	51.07	(18)	15.33	14.69	4

INCOME TAXES

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

Due to the impairments recognized in 2015 and the continued weak commodity price outlook, Delphi has not recognized a deferred income tax asset. As a result, no deferred income tax recovery was recorded in the fourth quarter against the net loss incurred.

	Three Months Ended December 31			Twelve Months Ended December 31		
	2015	2014	% Change	2015	2014	% Change
	Deferred income taxes recovery	-	(8,355)	-	(3,244)	(1,875)
Per boe	-	(7.55)	-	(0.94)	(0.49)	92

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 2015 compare to 2014?

Delphi's cash flow from operating activities of \$22.5 million for the three months ended December 31, 2015 decreased two percent compared to the same period in 2014. Funds from operations in the fourth quarter of 2015 decreased 16 percent compared to the same period in 2014. The decrease in cash flow from operating activities and funds from operations is primarily due to lower crude oil and natural gas sales, partially offset by higher realized gains on risk management contracts and lower royalties and operating expenses.

For 2015, Delphi generated cash flow from operating activities of \$46.4 million, a 37 percent decrease from 2014. Funds from operations in 2015 decreased 34 percent in comparison to 2014. The decrease in cash flow from operating activities and funds from operations is primarily due to a decrease in crude oil and natural gas sales partially offset by a realized gain on risk management contracts, lower royalties and lower operating expenses.

	Three Months Ended December 31			Twelve Months Ended December 31		
	2015	2014	% Change	2015	2014	% Change
	Cash flow from operating activities	22,460	23,001	(2)	46,350	74,036
Accretion of subordinated and long term debt	(691)	381	(281)	(124)	332	(137)
Decommissioning expenditures	318	86	270	744	1,160	(36)
Change in non-cash working capital	(8,770)	(7,599)	15	(4,077)	(10,369)	(61)
Funds from operations	13,317	15,869	(16)	42,893	65,159	(34)

NET LOSS

What factors contributed to the loss in 2015?

For the three months ended December 31, 2015, Delphi recorded a net loss of \$23.1 million (\$0.15 loss per basic and diluted share), compared to a net loss of \$25.6 million (\$0.16 loss per basic and diluted share) in the same period in 2014. The decrease in the net loss is primarily due to higher realized gains on risk management contracts, lower royalties and a decrease in impairment partially offset by reduced crude oil and natural gas sales and an unrealized loss on risk management contracts.

For the twelve months ended December 31, 2015, Delphi recorded a net loss of \$42.5 million (\$0.27 loss per basic and diluted share) compared to a net loss of \$7.3 million (\$0.05 loss per basic and diluted share) in the same period in 2014. The increase in the net loss is primarily due to lower crude oil and natural gas sales partially offset by higher realized gains on risk management contracts, lower operating costs and a reduction in exploration and evaluation expenses and impairment charges.

	Three Months Ended December 31			Twelve Months Ended December 31		
	2015	2014	% Change	2015	2014	% Change
Net loss	(23,084)	(25,588)	(10)	(42,525)	(7,263)	486
Per boe	(28.47)	(23.10)	23	(12.31)	(1.89)	551
Per basic and diluted share	(0.15)	(0.16)	(6)	(0.27)	(0.05)	440

CASH NETBACK AND EARNINGS ANALYSIS

How do Delphi's netbacks achieved in 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 three months ended December 31, 2015, Delphi's cash netback per boe increased 15 percent compared to the same period in 2014. The increase in the cash netback per boe from the fourth quarter of 2014 to that of 2015 is due to an increase in realized gains on risk management contracts as Delphi monetized \$5.9 million of contracts in the fourth quarter, a decrease in royalties and operating expenses, partially offset by an increase in transportation costs, G&A expenses and interest expense.

For the twelve months ended December 31, 2015, Delphi's cash netback per boe decreased 27 percent compared to the same period in 2014. The decrease in the cash netback per boe from 2014 to 2015 is due to a weak commodity price environment, higher transportation, G&A and interest costs, partially offset by reduced royalties, operating expenses and paid out restricted share units.

	Three Months Ended December 31			Twelve Months Ended December 31		
	2015	2014	% Change	2015	2014	% Change
Barrels of oil equivalent (\$/boe)						
Realized sales price	37.09	33.75	10	31.43	40.23	(22)
Royalties	3.83	4.00	(4)	2.23	6.41	(65)
Operating expenses	7.63	9.41	(19)	8.78	9.38	(6)
Transportation	4.95	3.30	50	3.97	3.62	10
Operating netback	20.68	17.04	21	16.45	20.82	(21)
General and administrative expenses	2.15	0.71	203	1.66	1.39	19
Paid out restricted share units	-	0.15	-	0.20	0.53	(62)
Interest	2.12	1.85	15	2.18	1.97	11
Cash netback	16.41	14.33	15	12.41	16.93	(27)
Unrealized loss (gain) on commodity risk contracts	4.90	(22.02)	-	0.47	(6.74)	-
Share-based compensation expense	0.38	(0.86)	-	0.16	0.33	(52)
Loss (gain) on dispositions	(13.49)	0.52	(2,692)	(2.40)	(2.10)	14
Exploration and evaluation	-	3.28	-	-	0.94	-
Loss on decommissioning	0.12	0.04	200	0.12	0.11	9
Depletion, depreciation and impairment	52.65	63.72	(17)	26.93	26.36	(2)
Accretion and finance charges	0.32	0.31	3	0.38	0.40	(5)
Deferred income taxes	-	(7.55)	-	(0.94)	(0.49)	92
Net loss	(28.47)	(23.10)	23	(12.31)	(1.89)	551

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 in northwest Alberta in order to maximize operating netbacks. In 2013, the Company commenced utilizing a new slickwater hybrid completion technique on its wells, 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 at Bigstone, Delphi achieved record production of 12,035 boe/d in the fourth quarter of 2014. During the third quarter of 2014, the Company disposed of certain interests from its Hythe property for net proceeds of \$15.8 million, after closing adjustments. The disposed assets were producing approximately 430 boe/d (55 percent natural gas) and included 23.3 gross (17.7 net) sections of land. The proceeds of the disposition were used to partially fund an acquisition of Montney rights at East Bigstone for \$8.8 million and an acquisition of approximately 430 boe/d (87 percent natural gas) of shallower Cretaceous production, 26.3 gross (19.3 net) sections of undeveloped land for Cretaceous production and a sweet natural gas processing plant in West Bigstone for \$8.9 million.

During the first quarter of 2014, the Company's senior lenders completed their annual review of the syndicated credit facility resulting in a \$30.0 million increase in the borrowing base to \$170.0 million. The semi-annual review of the Company's senior extendible revolving term credit facility was conducted during the fourth quarter of 2014 resulting in an additional \$20.0 million increase in the borrowing base to \$190.0 million. During the fourth quarter of 2014, the Company extended the maturity date of its \$20.0 million subordinated debt from December 31, 2014 to June 30, 2016.

In 2015, record production levels for natural gas and crude oil have created a supply/demand imbalance which has significantly negatively impacted commodity prices. In 2015, Delphi experienced a 22 percent decrease in its realized sales

price per boe as a result of the decline in the price for all commodities. In 2015, Delphi monetized risk management contracts for a realized gain of \$9.9 million, which had a positive impact on the realized sales price of \$2.85 per boe. With the reduced commodity prices, Delphi realized savings on royalties and focused on reducing operating and transportation expenses. In order to mitigate the depressed commodity environment and to maintain financial flexibility, Delphi disposed of two major properties, its Wapiti CGU and Greater Hythe assets, and a minor property in British Columbia and sold a gross overriding royalty on three gross wells completed during the year. 2015 production associated with the property dispositions is an average of 1,678 boe/d, with a production portfolio weighted one percent to crude oil, 83 percent to natural gas and 16 percent to natural gas liquids. Total land associated with the dispositions consisted of 138,163 net acres. Delphi received net proceeds of \$67.6 million for the dispositions of which the majority was used to repay bank indebtedness and the remaining was directed toward the capital program. The property dispositions in 2015 were lower netback properties relative to the Montney at Bigstone.

In 2015, Delphi invested \$57.5 million of capital expenditures, drilling six gross (5.3 net) wells, completing pipeline tie-ins and investing in a water disposal facility. The water disposal facility will allow Delphi to save on water trucking and disposal costs, further improving the netback of the Company's Montney production.

In 2015, Delphi was exposed to pipeline restrictions due to maintenance and mandated inspections on the TransCanada pipeline system. Although the curtailments were mitigated as much as possible, sales volumes and the Company's realized sales prices were negatively impacted by these restrictions. On December 1, 2015, Delphi commenced transporting most of its natural gas volumes under its Alliance firm service agreement, minimizing the exposure to ongoing curtailments on the TransCanada system. As a result of the major property dispositions, the pipeline restrictions and the reduced capital program in 2015, Delphi's production decreased by ten percent in 2015 to 9,469 boe/d in comparison to 2014.

During the third quarter of 2015, the Company's senior extendible revolving credit facility was re-determined giving effect to the disposition of the Company's Wapiti CGU, resulting in a \$175.0 million credit facility with borrowings in excess of \$140.0 million subject to the consent of the lenders. During the fourth quarter of 2015, Delphi's lenders' completed their semi-annual review of the Company's senior credit facilities. The review primarily incorporated the disposition of the Company's Greater Hythe assets, Delphi's risk management program, the success of the development of the Company's Montney assets and the lenders' view of future commodity prices. As a result, Delphi's senior credit facility was reduced to \$132.5 million, consisting of a \$15.0 million operating facility and a \$117.5 million revolving facility.

Natural gas prices over the past two years have generally reflected the cyclical nature of demand. Higher prices are usually realized in the winter months, reflecting demand for heating, with lower prices through the summer months as production is placed in storage for the upcoming heating season demand. Although prices for natural gas in 2014 experienced some improvement since 2013, record levels of production caused a supply/demand imbalance, particularly in the fourth quarter of 2014 and into 2015. Natural gas prices in the fourth quarter of 2015 have also been negatively affected by weak winter demand for natural gas for heating purposes. The average spot price for AECO in 2014 was \$4.48 per mcf versus \$2.69 per mcf in 2015.

The fundamental supply/demand equation for crude oil continues to be at an imbalance as global supply exceeds global demand. Global production has been increasing since the second quarter of 2014 and the benchmark price has been decreasing since a peak in July of 2014. WTI reached a high of U.S. \$105.15 per barrel in 2014 and down to a low of U.S. \$37.33 per barrel in December of 2015. The average WTI price was U.S. \$92.92 per barrel in 2014 versus U.S. \$48.76 per barrel in 2015.

Net earnings (loss) of the Company is 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.

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

	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014	Sep. 30, 2014	Jun. 30, 2014	Mar. 31, 2014
Production								
Oil and field condensate (bbls/d)	1,613	1,198	1,455	1,600	1,692	1,396	1,583	1,697
Natural gas liquids (bbls/d)	1,414	1,045	1,582	1,698	2,020	1,356	1,807	1,493
Natural gas (mcf/d)	34,719	33,871	43,035	46,223	49,939	40,251	42,040	42,673
Barrels of oil equivalent (boe/d)	8,814	7,888	10,210	11,002	12,035	9,461	10,397	10,302
Financial								
Crude oil and natural gas revenue	18,601	16,234	22,790	22,650	35,534	35,117	44,173	49,046
Funds from operations	13,317	10,070	8,725	10,781	15,869	14,221	14,660	20,409
Per share – basic	0.09	0.06	0.06	0.07	0.10	0.09	0.09	0.13
Per share – diluted	0.09	0.06	0.06	0.07	0.10	0.09	0.09	0.12
Net earnings (loss)	(23,084)	10,670	(32,106)	1,995	(25,588)	12,163	5,439	723
Per share – basic	(0.15)	0.07	(0.21)	0.01	(0.16)	0.08	0.04	-
Per share – diluted	(0.15)	0.07	(0.21)	0.01	(0.16)	0.08	0.03	-

On an annual basis, how has Delphi performed?

The annual results for 2014 and 2015 have been affected by the volatility of commodity prices, property dispositions and the successful drilling program in Bigstone.

In 2014, Delphi focused on the continuing development of its Montney play but also on the infrastructure needed to support current and future development of the Montney. Delphi drilled eight gross (7.6 net) wells during 2014 and achieved record production in the fourth quarter of 2014 of 12,035 boe/d. In 2014, Delphi invested \$22.8 million of its capital program on facility expenditures. Delphi expanded its 100 percent owned compression and dehydration facility located in East Bigstone by adding another compressor and dehydrator, thereby increasing the capacity to handle an additional 15 mmcf/d of raw natural gas to a total capacity of 45 mmcf/d of raw natural gas and doubling the field condensate tank storage capacity to 6,000 barrels. In addition to the expansion of the East Bigstone facility, Delphi commenced and completed the construction of a nine mmcf/d compression/dehydration facility and gathering system to handle Delphi production in the southern part of East Bigstone. The Company has also completed pipeline connections to deliver its Montney natural gas and natural gas liquids from its East Bigstone facilities to the SemCams K3 processing facility.

In 2014, the Company disposed of certain interests from its Hythe property for net proceeds of \$15.8 million, after closing adjustments. The proceeds of the disposition were used to partially fund an acquisition of eight gross (3.5 net) sections of Montney rights at East Bigstone for \$8.8 million, after closing adjustments, and an acquisition of approximately 430 boe/d (87 percent natural gas) of shallower Cretaceous production, 26.3 gross (19.3 net) sections of undeveloped land for Cretaceous production and a sweet natural gas processing plant in West Bigstone for \$8.9 million, after closing adjustments.

As a result of a successful year of development, the Company's senior lenders completed their annual and semi-annual review of the syndicated credit facility in the first and fourth quarters of 2014, respectively, which resulted in increases to the borrowing base of the facility. The syndicated credit facility was increased by a total of \$50.0 million in 2014, resulting in a \$190.0 million borrowing base. During the fourth quarter of 2014, the Company extended the maturity date of its \$20.0 million subordinated debt from December 31, 2014 to June 30, 2016.

In 2015, Delphi focused on reducing costs and disposing of lower netback properties in order to maintain financial flexibility during the depressed pricing environment. In 2015, Delphi disposed of two major properties, its Wapiti CGU and Greater Hythe assets, a minor property in British Columbia and sold a gross overriding royalty on three gross wells completed during the year for net proceeds of \$67.6 million. Delphi took a conservative approach to its capital program in 2015, drilling infill locations to minimize capital spending on infrastructure. Delphi's 2015 capital program of \$57.5 million (before dispositions) was directed toward the drilling of six gross (5.3 net) wells, pipeline tie-ins and investing in a water disposal facility. The water disposal facility will allow Delphi to save on water trucking and water disposal costs, further improving the netback for the Company's Montney production. In 2015, Delphi produced an average of 9,469 boe/d compared to 10,549 boe/d in 2014.

As a result of the weak commodity pricing environment and the disposition of two major properties in 2015, the Company's senior extendible revolving credit facility was reduced to \$132.5 million in the fourth quarter of 2015, consisting of a \$15.0 million operating facility and a \$117.5 million revolving facility.

The following table sets forth selected consolidated financial information of the Company for the most recently completed year ended December 31, 2015 and for the years ended 2014 and 2013:

	2015	2014	2013
Revenue	80,275	163,870	100,430
Net loss	(42,525)	(7,263)	(11,627)
Per share – basic	(0.27)	(0.05)	(0.08)
Per share – diluted	(0.27)	(0.05)	(0.08)
Total assets	360,842	481,749	451,680
Net debt	121,664	173,655	138,340

CONTRACTUAL OBLIGATIONS

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

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

The future minimum commitments are as follows:

	2016	2017	2018	2019	2020	Thereafter
Gathering, processing and transmission ⁽¹⁾	18,819	22,740	24,568	24,815	20,888	7,036
Office, equipment and software leases	1,585	991	-	-	-	-
Accounts payable and accrued liabilities ⁽²⁾	33,346	-	-	-	-	-
Decommissioning obligations ⁽³⁾	878	430	3,469	371	2,210	17,579
Restricted share units	187	86	73	-	-	-
Risk management contracts	3,008	1,240	321	-	-	-
Interest payments on subordinated debt	735	-	-	-	-	-
Long term debt	-	95,000	-	-	-	-
Subordinated debt	14,210	-	-	-	-	-
Total	72,768	120,487	28,431	25,186	23,098	24,615

(1) Balances denominated in US dollars have been translated at the December 31, 2015 exchange rate.

(2) Excludes the current portion of the restricted share units as they are disclosed separately on this table.

(3) Amounts represent the inflated, discounted future abandonment and reclamation expenditures anticipated to be incurred over the life of the Company's properties.

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 consolidated financial statements have been prepared in conformity with IFRS 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.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Delphi attempts to mitigate this risk by employing individuals with the appropriate skill set and knowledge to make reasonable estimates, developing internal control systems and comparing past estimates to actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are included in the following:

- i) Oil and gas reserves – reserves are used in the units of production calculation for depreciation, depletion and amortization and the impairment analysis which affect the net earnings (loss). There are numerous uncertainties inherent in estimating oil and gas reserves. Estimating reserves is very complex, requiring many judgments based on geological, geophysical, engineering and economic data. Changes in these judgments could have a material impact on the estimated reserves. These estimates may change, having either a negative or positive effect on net profit as further information becomes available and as the economic environment changes.
- ii) Depletion and depreciation – management estimates the useful lives of production equipment and other assets based on the period during which the assets are expected to be available for use. For crude oil and natural gas properties, the estimated useful lives are based on proved and probable reserves as determined annually by the Company's independent engineers and internal estimates on a quarterly basis determined in accordance with National Instrument 51-101 ("NI 51-101") and the Canadian Oil and Gas Evaluation Handbook ("COGEH").

Calculations for the depletion of crude oil and natural gas properties are based on total capitalized costs plus estimated future development costs of proved and probable reserves less the estimated salvage value of production equipment and facilities after the proved reserves are fully produced.

- iii) Recoverability of asset carrying values – Delphi's assets are aggregated into CGUs for the purpose of calculating impairment based on their ability to generate largely independent cash inflows. CGUs have been determined based on similar geological structure, geographical proximity, production profiles and infrastructure of its assets. By nature, these assumptions are subject to management's judgment and may impact the carrying value of the Company's assets in future periods. The Company's CGUs could change in the future as a result of development, acquisition or disposition activity.

The assessment of any impairment of property, plant and equipment is dependent upon estimates of recoverable amount that take into account factors such as reserves, economic and market conditions, discount rates, timing of cash flows, the useful lives of assets and their related salvage values. In determining whether oil and gas properties are impaired, each CGU's carrying value is compared to its recoverable amount, defined as the greater of its fair value less costs to sell and value in use.

The recoverable amount of Delphi's CGUs were estimated as their value in use based on the following information:

- the net present value, using pre-tax discount rates, of expected future cash flows based on proved and probable reserves as estimated by the Company's independent engineers; and
- the fair value of undeveloped land based on estimates provided by Delphi's independent land evaluator.

Key input estimates used in the determination of cash flows from oil and gas reserves include the following:

- Reserves - Assumptions that are valid at the time of reserve estimation may change significantly when new information becomes available. Changes in forward commodity price estimates, production costs or recovery rates may change the economic status of reserves and may ultimately result in reserves being adjusted.

- Oil and gas prices - Forward price estimates of oil and natural gas prices are used in the cash flow model. Commodity prices have fluctuated widely in recent years due to global and regional factors including supply and demand fundamentals, inventory levels, exchange rates, weather, economic and geopolitical factors.
 - Discount rate - Estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Changes in the general economic environment could result in significant changes to this estimate.
- iv) Decommissioning obligations – provisions for decommissioning obligations associated with the Company’s drilling operations are based on current legal and constructive requirements, technology, price levels and expected plans for remediation. Actual costs and timing of cash outflows can differ from estimates because of changes in laws and regulations, public expectations, prices, discovery and analysis of site conditions, changes in clean up technology and changes in discount rates.
- v) Share-based compensation - the fair value of stock options granted is measured using a Black-Scholes option pricing model. Measurement inputs such as the expected volatility, expected life of the options and a forfeiture rate require management judgment and estimates. The Company estimates volatility based on weighted average historical traded daily volatility. The expected life of the options is estimated by using an average life for awards based on historical plan records. Management also makes an estimate of the number of options that will be forfeited based on historical information. The estimated forfeiture rate is adjusted to reflect actual forfeitures. Dividends are not taken into consideration as the Company does not expect to pay dividends.
- vi) Deferred income taxes – deferred income tax assets and liabilities are recognized for the estimated tax consequences between amounts included in the financial statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of the reversal of temporary differences and accordingly affect the amount of the deferred income tax asset or liability calculated at a point in time. These differences could materially impact net earnings (loss).

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 expect the amendments to have a material impact on the financial statements.

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.

The IASB has issued IFRS 16, “Leases”, which replaces the previous leases standard, IAS 17, “Leases.”. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. The standard is effective from January 1, 2019. Early adoption is permitted but only if the Company also applies IFRS 15, “Revenue from Contracts with Customers.” Delphi does not expect to early adopt the new standard and the extent of the impact of adoption of the standard has not yet been determined.

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 one officer 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 Company's President and Chief Executive Officer and Senior Vice President, Finance and Chief Financial Officer have concluded that the Company's internal controls over financial reporting and disclosure controls and procedures are effective and provide a reasonable level of assurance that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified. Management's assessment of the Company's internal controls over financial reporting was 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 (2013 Framework).

The Company notes that while it believes the disclosure controls and procedures and internal controls over financial reporting provide a reasonable level of assurance that they are effective, it does not expect that the disclosure controls and procedures and internal controls will prevent all errors and fraud. A control system is designed to provide reasonable, not absolute, assurance that the objectives of the control system are met. There were no changes made to the disclosure controls and procedures or internal controls over financial reporting during the fourth quarter of 2015.

2016 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 2016?

The Company's average annual production in 2016 will be dependent upon the number of wells drilled, funded by cash flow, resulting in production between 8,300 and 8,800 boe/d. The production is expected to be split 32 percent to liquids and 68 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 2016?

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 seven 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 2016, natural gas storage levels continue to increase creating a greater supply/demand imbalance. As a result of the high natural gas inventory storage levels and strong natural gas production rates, the average price for NYMEX in the first two months of 2016 has been \$2.21 per million British thermal units (“mmbtu”). Consequently, Delphi is managing its forecast for NYMEX natural gas prices to average between U.S. \$1.75 and \$2.25 per mmbtu for the year.

Crude Oil

West Texas Intermediate at Cushing, Oklahoma (“WTI”) 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 Organization of the Petroleum Exporting Countries (“OPEC”) coming back online and a significant increase in production by non-OPEC countries, particularly, the United States. Global demand is impacted by a slowing economy in China and increased energy efficiency in developed nations.

Due to this imbalance in supply and demand for crude oil, Delphi is currently managing its capital program based on an average WTI price for 2016 of U.S. \$35.00 to U.S. \$40.00 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 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 \$0.70 to \$0.75 Cdn. to U.S. dollar.

ROYALTIES

What average royalty rate does Delphi expect to pay in 2016?

The Company pays royalties to provincial governments, individuals and companies that own surface and/or mineral rights and Companies that have been granted an overriding royalty. These payments take the form of Crown, freehold and overriding royalties. Crown royalty rates for crude oil and natural gas are generally calculated on a sliding scale based on commodity prices and production rates whereas freehold and overriding royalty rates are generally a fixed percentage of revenue less the cost to deliver the product to market. Crown royalty rates can change due to price fluctuations or changes in production volumes on a well by well basis subject to minimum and maximum rates. For natural gas liquids, Crown royalty rates are a fixed percentage of revenue with the rate varying according to the nature of the product. Crown royalty credits are received from the Crown and represent the fee earned by the owners of natural gas processing infrastructure to process the Crown’s royalty share of natural gas. Freehold royalties are paid on freehold lands and overriding royalties are generally payable on lands where the Company has earned an interest in the lands through a farm-in, whether the lands are Crown or freehold. Crown royalties are also influenced by royalty incentives provided by the provincial governments to stimulate drilling activity by the industry. Delphi expects the royalty regime in Alberta to remain stable throughout 2016. Royalties are not affected by gains or losses realized through the Company’s risk management program.

For 2016, 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 2016?

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 \$6.50 to \$7.00 per boe in 2016. Transportation expenses are subject to the availability of pipeline capacity on an interruptible basis in areas of significant production growth by industry. Delphi does not anticipate having any issues moving its production to sales.

The costs of production may be more than expected in periods of very high industry activity causing considerable competition and rising prices for general oilfield services and equipment. With the growth in Montney production as a percentage of total production, operating costs are expected to increase due to sour gas processing through non-operated facilities. Operating costs in 2016 are expected to average between \$6.75 and \$7.25 per boe.

GENERAL & ADMINISTRATIVE AND FINANCE COSTS

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

In 2016, Delphi anticipates its general and administrative costs, net of capitalized amounts, to be approximately \$1.60 to \$1.80 per boe, lower than 2015.

Interest costs will be dependent on market rates and credit spreads for the oil and gas sector and will be a function of the general economic conditions in Canada. If the economy is viewed as growing too fast, which may result in inflation, interest rates may be increased to slow down the pace of growth in the economy. Interest costs may also increase if funds from operations are less than expected and long term debt is used to fund a larger portion of the capital program than originally anticipated. The Company expects the Canadian prime rate to remain stable in 2015. Interest expense is expected to be approximately \$1.75 to \$2.00 per boe in 2016.

CAPITAL PROGRAM AND NET DEBT LEVELS

What are the Company's forecast capital expenditures and net debt levels for 2016?

The Company expects 2016 net capital expenditures to be between \$33.0 and \$38.0 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 funds flow followed by at least one quarter of minimal activity prior to returning to the field with an active summer/fall program.

The Company is targeting net debt at December 31, 2016 to be between \$120.0 and \$125.0 million.

ADDITIONAL INFORMATION

Where is additional information about Delphi available?

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