



# PRESS RELEASE

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TSX SYMBOL:  
**DEE**

## DELPHI ENERGY CORP. REPORTS FIRST QUARTER 2018 RESULTS

**CALGARY, ALBERTA** – May 9, 2018 – **Delphi Energy Corp.** (“Delphi” or the “Company”) is pleased to announce its financial and operational results for the quarter ended March 31, 2018.

The first quarter of 2018 is characterized by several milestones. Successful delineation drilling into West Bigstone is driving field condensate production to record levels, with current condensate production up approximately 45 percent from one year ago. The recent integration of the Company’s under-utilized sweet non-Montney gathering and processing infrastructure into its Montney development will be instrumental in driving operating costs lower. These milestones combined with improving WTI oil and realized condensate prices, as well as advantaged natural gas marketing arrangements are all contributing to increasing netbacks.

### First Quarter 2018 Highlights

- Drilled four (2.6 net) successful wells and completed six (3.9 net) Montney wells in Bigstone;
- Produced 9,515 barrels of oil equivalent per day (“boe/d”), a 16 percent increase from 8,198 boe/d in the first quarter of 2017;
- Increased field condensate production by 27 percent to 2,472 barrels per day (“bbls/d”) and natural gas liquids (“NGLs”) by nine percent to 1,418 bbls/d in comparison to the first quarter of 2017;
- Increased natural gas liquids and field condensate yields to 115 barrels per million cubic feet (“bbls/mmcf”), up six percent from the 109 bbls/mmcf in the comparative quarter of 2017 and up eleven percent from the 104 bbls/mmcf in the fourth quarter of 2017. Field and plant condensate yields are 83 bbls/mmcf, or 72 percent of the 115 bbls/mmcf;
- Field condensate and natural gas liquids accounted for 65 percent of crude oil and natural gas revenues;
- Realized a natural gas price before risk management contracts of \$3.74 per thousand cubic feet (“mcf”) compared to an AECO price of \$2.08 per mcf as a result of selling approximately 90 percent of our natural gas in Chicago, Illinois, via full-path transportation arrangements;
- Added \$1.25 per barrel of oil equivalent (“boe”) to cash netback from marketing income generated from excess firm Alliance transportation service; and
- Cash netbacks per boe increased by 23 percent over the comparative quarter resulting in adjusted funds flow of \$11.4 million, a 43 percent increase over the first quarter of 2017.

### FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended March 31		
	2018	2017	% Change
<b>Operating</b> (boe conversion – 6:1 basis)			
<u>Production:</u>			
Field condensate (bbls/d)	2,472	1,940	27
Natural gas liquids (bbls/d)	1,418	1,302	9
Natural gas (mcf/d)	33,747	29,737	13
Total (Boe/d)	9,515	8,198	16

## FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended March 31		
	2018	2017	% Change
<b>Financial</b>			
(\$ thousands, except per share)			
Oil and natural gas revenues	<b>32,675</b>	25,671	27
Net earnings (loss)	<b>(4,466)</b>	8,156	(155)
Per share – basic and diluted	<b>(0.02)</b>	0.05	(140)
Adjusted funds flow <sup>(1)</sup>	<b>11,428</b>	7,970	43
Per share – basic and diluted <sup>(1)</sup>	<b>0.06</b>	0.05	20
Net debt <sup>(1)</sup>	<b>166,436</b>	108,367	54
Capital expenditures, net of dispositions	<b>41,165</b>	30,055	37
Weighted average shares (000s)			
Basic	<b>185,547</b>	156,790	18
Diluted	<b>185,547</b>	159,775	16
<u>Average realized sales prices, before financial instruments</u>			
Field condensate (\$/bbl)	<b>69.97</b>	60.85	15
Natural gas liquids (\$/bbl)	<b>43.93</b>	32.23	36
Natural gas (\$/mcf)	<b>3.74</b>	4.18	(11)
<u>Netbacks (\$/boe)</u>			
Crude oil and natural gas revenues	<b>38.16</b>	34.79	10
Marketing income <sup>(1)</sup>	<b>1.25</b>	-	-
Realized loss on financial instruments	<b>(2.87)</b>	(0.62)	363
Revenue, after realized financial instruments	<b>36.54</b>	34.17	7
Royalties	<b>(3.05)</b>	(3.26)	(6)
Operating expense	<b>(9.48)</b>	(8.80)	8
Transportation expense	<b>(5.46)</b>	(5.63)	(3)
Operating netback <sup>(1)</sup>	<b>18.55</b>	16.48	13
General and administrative expenses	<b>(1.63)</b>	(2.98)	(45)
Interest	<b>(3.38)</b>	(2.69)	26
Settlement of unutilized take-or-pay contract	<b>(0.19)</b>	-	-
Cash netback <sup>(1)</sup>	<b>13.35</b>	10.81	23

(1) Refer to non-GAAP measures

## OPERATING AND FINANCIAL HIGHLIGHTS FOR THE QUARTER ENDED MARCH 31, 2018

Delphi completed a \$41.2 million capital program in the first quarter of 2018, entirely focused on the Company's Montney play at Bigstone. The capital program included \$32.5 million for drilling four (2.6 net) wells, completing six (3.9 net) wells, equipping and bringing four (2.6 net) wells on production along with \$8.2 million for facilities, including construction of the Company's Phase 1 Amine project. Commissioning of the amine facility was completed in May and sweetened Montney gas has commenced delivery to the Bigstone gas plant where Delphi owns a 25 percent working interest.

Average production was 9,515 boe/d for the quarter, an increase of 16 percent over the corresponding period in 2017. Field condensate production in the first quarter was 2,472 bbls/d, an increase of 27 percent over the same period in 2017 and comprised 26 percent of production on a boe basis compared to 24 percent in the first quarter of 2017. The Company also produced 332 bbls/d of plant condensate, representing 23 percent of its reported 1,418 bbls/d of NGL production. While comprising 26 percent of production, field condensate generated 48 percent of crude oil and natural gas revenues. Similarly, field condensate and NGL production in the first quarter accounted for 41 percent of total production and 65 percent of crude oil and natural gas revenues.

Quarterly crude oil and natural gas revenues were \$32.7 million, an increase of 27 percent over 2017 due to increased production and higher condensate and NGL realized prices.

The operating netback before hedging was \$21.42 per boe in the quarter, an increase of 25 percent over the comparative quarter in 2017, while the corresponding cash netback was \$16.22 per boe. After a hedging loss of \$2.87 per boe, the operating and cash netbacks were \$18.55 and \$13.35 per boe, respectively. Quarterly adjusted funds flow increased 43 percent from the prior year to \$11.4 million or \$0.06 per basic and diluted share.

Bank debt at the end of the quarter was \$45.7 million and outstanding letters of credit were \$7.4 million, leaving \$41.9 million available to be drawn on the Company's senior bank credit facility.

## **NATURAL GAS MARKETING AND HEDGING**

Delphi has a total of 57 million cubic feet per day ("mmcf/d") of firm and priority interruptible service on the Alliance pipeline system and 24 mmcf/d of firm service on the NGTL pipeline system. In the first quarter, Delphi sold approximately 90 percent of its natural gas in the Chicago market via its firm service on Alliance and realized an average price of \$3.74 per mcf compared to an AECO price of \$2.08 per mcf. Delphi also generated \$1.25 per boe of marketing income from the excess service it holds on Alliance through a combination of temporary assignment to other shippers at a premium over cost or through the purchase of natural gas in Alberta or British Columbia for sale in Chicago.

Natural gas volumes from the recently commissioned amine facility will initially be sold on the NGTL system and as a result the proportion of natural gas sales on the Alliance system will be reduced to approximately 80 percent. The net impact on adjusted funds flow will be positive as the lower realized natural gas price into the AECO market will be more than offset by lower transportation costs, higher marketing income from the increase in excess Alliance service and lower operating costs realized by sweetening gas and processing it at the Bigstone natural gas plant (25 percent Delphi) versus third-party processing. The Company will start shipping the amine sweetened gas volumes on Alliance once the reactivation of the Alliance lateral pipeline from the Bigstone natural gas plant is completed.

Approximately 70 percent of the expected Chicago sales volumes in the last nine months of 2018 are hedged with NYMEX Henry Hub gas swaps for an average of 19,788 million British thermal units per day ("mmbtu/d") at an average price of US\$3.03 or C\$3.85 per million British thermal units ("mmbtu"), based on an exchange rate of 1.27 CAD per USD.

As a hedge to condensate and other natural gas liquids prices that are correlated to WTI crude oil prices, Delphi has an average of 2,233 bbls/d of WTI swaps in 2018 with an average fixed price of C\$72.00 per barrel.

## **OPERATIONS UPDATE**

Delphi completed six (3.9 net) wells in the first quarter of 2018 which, along with one (0.65 net) well completed in December 2017, resulted in seven (4.6 net) wells to be put on production in the first half of 2018. Four (2.6 net) of these wells were brought on production late in the first quarter of 2018. The full impact of these production additions will be realized in the second quarter. Since the end of the quarter, two (1.3 net) wells were brought on stream through the Company's 7-11 compression, dehydration and new amine facility. In addition, the West Bigstone 16-10-60-24W5 well was brought on stream in May through the Company's 100 percent owned Negus gas plant.

The Company's recently commissioned Phase I Amine processing facility, capable of sweetening up to 17 mmcf/d of gross raw Montney natural gas, has commenced delivering sweetened Montney gas to the under-utilized 85 mmcf/d Bigstone sweet natural gas plant (Delphi 25 percent working interest) for final processing. The new facility will reduce operating costs on that production stream by approximately \$0.80 per mcf. Corporately, operating cost savings of approximately \$0.70 per boe are forecast. The amine facility is part of the Company's long term strategy to diversify its processing options, which now include the SemCAMS K3 (sour), Repsol Edson (sour), Delphi Bigstone (sweet), and Delphi Negus (sweet) processing facilities.

The 15-19-59-23W5 well ("15-19") drilled to evaluate Delphi's central land block within the Bigstone Montney asset achieved an average production rate over the first 30 days on production of 1,828 boe/d (62 percent liquids). The average field condensate rate over this time period was 950 bbls/d, exceeding the previous two best condensate rates in section 21-60-23W5 by 27 percent. Over the first 60 days on production the 15-19 well has produced approximately 43,700 barrels of field condensate.

## OUTLOOK AND 2018 GUIDANCE

The Company views the successful delineation drilling that is yielding higher field condensate to natural gas ratios as very positive with an expectation of continued margin growth and enhanced return on capital. In addition, utilizing Delphi's existing 100 percent owned Negus sweet gathering and processing infrastructure along with the commissioning of the Phase I amine processing facility in East Bigstone fully integrates the Company's overall infrastructure platform in the area resulting in material cost savings.

With all seven (4.6 net) new wells on production, Delphi looks to formalize its second half 2018 capital program later in the second quarter allowing time to evaluate production performance to best plan the second half of the 2018 drilling program. The Company anticipates starting the second half drilling program in July with two rigs offsetting the recent successes as well as further delineation drilling in West Bigstone.

Delphi's previously announced production and adjusted funds flow guidance for the first half 2018 remain largely unchanged, with condensate yields trending higher than originally forecast. The following table highlights the major assumptions with respect to Delphi's guidance for the first half of 2018 and the second quarter forecast.

	2018 First Half Guidance	Q1 Actuals	Q2 Forecast
<b>Net Capital Program (\$ million)</b>	\$38 - \$45	\$41.2	\$5.5 - \$6.0
<b>Gross Well Count Drilled (net)</b>	4 (2.6)	4 (2.6)	0
<b>Gross Well Count On Production (net)</b>	5 (3.3) – 7 (4.6)	4 (2.6)	3 (2.0)

	2018 First Half Guidance <sup>(1)</sup>	Q1 Actuals	Q2 Forecast <sup>(2)</sup>
<b>Average Production (boe/d)</b>	9,800 – 10,200	9,515	10,600 – 11,000
<b>Natural Gas (mmcf/d)</b>	35.0 – 37.0	33.7	37.0 – 39.0
<b>Field Condensate (bbls/d)</b>	2,450 – 2,550	2,472	2,800 – 2,900
<b>NGL's (bbls/d)</b>	1,470 – 1,530	1,418	1,550 – 1,650
<b>Percent Liquids (%)</b>	40	41	41
<b>Adjusted Funds Flow ("AFF") (\$ million)</b>	\$25.0 - \$27.0	\$11.4	\$14.5 - \$15.5
<b>Operating Netback (\$/boe, before hedging)</b>	\$21.50	\$21.42	\$21.70
<b>Cash Netback (\$/boe)</b>	\$14.25	\$13.35	\$15.10
<b>Net Debt <sup>(3)</sup> (\$ million)</b>	\$149 – \$154	\$166.4	\$156 – \$158
<b>Net Debt / AFF (annualized)</b>	2.9 – 3.0	3.6	2.5 – 2.7

(1) Based on WTI crude oil price of \$62 per barrel, NYMEX Henry Hub natural gas price of \$2.80 per mmbtu and FX of 1.27 CAD per USD.

(2) Based on WTI crude oil price of \$65 per barrel, NYMEX Henry Hub natural gas price of \$2.80 per mmbtu and FX of 1.27 CAD per USD.

(3) Net debt is defined as the sum of bank debt, senior secured notes and the long term portion of unutilized take-or-pay contract plus (minus) the working capital deficit (surplus) excluding the current portion of the fair value of the financial instruments.

Delphi remains well positioned with a high quality resource base supported by strategic infrastructure and a large drilling inventory, a strategic "long Alliance Chicago" natural gas marketing strategy, and a strong commodity hedge position.

## CONFERENCE CALL AND WEBCAST

A conference call and webcast to review 2018 first quarter results is scheduled for 9:00 a.m. Mountain Time (11:00 a.m. Eastern Time) on Thursday, May 10, 2018. The conference call number is 1-844-358-8760. A brief presentation by David J. Reid, President and CEO, and Mark Behrman, CFO will be followed by a question and answer period. The conference call will also be broadcast live on the internet and may be accessed through [www.delphienergy.ca](http://www.delphienergy.ca) or by entering <https://edge.media-server.com/m6/p/i56desa9> in your web browser.

A recorded rebroadcast will be archived and made available on the Company's website at [www.delphienergy.ca](http://www.delphienergy.ca) or by entering <https://edge.media-server.com/m6/p/i56desa9> in your web browser. Delphi's first quarter 2018 financial statements and management's discussion and analysis are available on the Company's website at [www.delphienergy.ca](http://www.delphienergy.ca) and SEDAR at [www.SEDAR.com](http://www.SEDAR.com).

## About Delphi Energy Corp.

*Delphi Energy Corp. is an industry-leading producer of liquids-rich natural gas. The Company has achieved top decile results through the development of our high quality Montney property, uniquely positioned in the Deep Basin of Bigstone, in northwest Alberta. Delphi continues to outperform key industry players by improving operational efficiencies and growing our dominant Bigstone land position in this world-class play. Delphi is headquartered in Calgary, Alberta and trades on the Toronto Stock Exchange under the symbol DEE.*

### FOR FURTHER INFORMATION PLEASE CONTACT:

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**Forward-Looking Statements.** *This news release 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 release 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 release 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 release 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 release 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 release 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](http://www.sedar.com)).*

Readers are cautioned that the foregoing list of factors is not exhaustive. Furthermore, the forward-looking statements contained in this release are made as of the date of this release 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 release are expressly qualified in their entirety by this cautionary statement.

**Basis of Presentation.** 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.

As per CSA Staff Notice 51-327 initial test results and initial production performance should be considered preliminary data and such data is not necessarily indicative of long-term performance or of ultimate recovery. "IP" is an abbreviation for "Initial Production" and represents average production rates over the indicated time period in producing days.

**Non-GAAP Measures.** The release contains the terms "adjusted funds flow", "adjusted funds flow per share", "net debt", "net debt to adjusted funds flow ratio", "marketing income", "operating netbacks", "cash netbacks," and "netbacks" which are not recognized measures under GAAP. The Company uses these measures to help evaluate its performance. Management considers netbacks an important measure as it demonstrates its profitability relative to current commodity prices and costs of production. Management uses adjusted funds flow to analyze performance and considers it a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investments, abandonment obligations and to repay debt. Adjusted funds flow is a non-GAAP measure and has been defined by the Company as cash flow from operating activities before decommissioning expenditures and changes in non-cash working capital from operating activities. The Company also presents adjusted funds flow per share whereby amounts per share are calculated using weighted average shares outstanding consistent with the calculation of earnings per share. Delphi's determination of adjusted funds flow may not be comparable to that reported by other companies nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with GAAP. The Company has defined net debt as the sum of bank debt, senior secured notes and the long term portion of unutilized take-or-pay contract plus/minus working capital deficit/surplus excluding the current portion of the fair value of financial instruments. Net debt is used by management to monitor remaining availability under its credit facilities. Marketing income is defined as the margin earned on the sale of purchased third party natural gas volumes and premiums received on the assignment of a portion of committed capacity on the Alliance pipeline system to a third party. Management considers marketing income important measures of the Company's ability to mitigate the cost of excess committed capacity. Operating netbacks have been defined as revenue plus marketing income less royalties, transportation and operating costs. Cash netbacks have been defined as operating netbacks less interest on bank debt and senior secured notes, general and administrative costs and cash costs related to the Company's restricted share units. Netbacks are generally discussed and presented on a per boe basis.