



# PRESS RELEASE

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TSX SYMBOL:  
**DEE**

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## **DELPHI ENERGY CORP. ANNOUNCES FIRST CLOSING OF SUBSCRIPTION RECEIPT OFFERING AND UPDATE ON SECURITYHOLDER MEETINGS**

**CALGARY, ALBERTA** – October 15, 2019 – **Delphi Energy Corp.** (“**Delphi**” or the “**Company**”) is pleased to announce that it has closed a portion of its previously announced private placement offering of subscription receipts (the “**Offerings**”) for aggregate gross proceeds of \$2.1 million today.

Pursuant to the Offerings, Delphi issued 797,512 equity subscription receipts (“**ESRs**”) at a price of \$1.65 per ESR (the “**ESR Price**”) for gross proceeds of approximately \$1.3 million and 1,067 note subscription receipts (“**NSRs**”) at a price of \$750 per NSR (the “**NSR Price**”) for gross proceeds of approximately \$800,000. Directors and officers of Delphi subscribed for an aggregate of 161,212 ESRs for gross proceeds of approximately \$266,000 and 67 NSRs for gross proceeds of approximately \$50,000 under the Offerings today.

The sale today forms part of the larger Offerings by Delphi for total gross proceeds of up to approximately \$46.5 million, consisting of a private placement offering a minimum of 16,969,696 ESRs and a maximum of 18,181,818 ESRs at the ESR Price (for minimum proceeds of approximately \$28 million and maximum proceeds of approximately \$30 million) and of a private placement offering of a minimum of 20,000 NSRs and a maximum of 22,000 NSRs (for minimum proceeds of \$15 million and maximum proceeds of \$16.5 million). It is expected that further closings under the Offerings will occur on one or more dates in mid to late October 2019. The proceeds of the Offerings will be held in escrow pending the satisfaction of certain escrow release conditions, including the implementation of a plan of arrangement (the “**Arrangement**”) pursuant to section 192 of the *Canada Business Corporations Act* as part of Delphi’s previously announced recapitalization transaction (the “**Recapitalization Transaction**”). Upon their release, Delphi will use the proceeds of the Offerings to further develop its reserves and fund capital expenditures.

An affiliate of a pooled investment vehicle of Luminus Management, LLC (such affiliate or Luminus Management, LLC, each defined as “**Luminus**”, as the context requires) will subscribe for 16,778,306 ESRs for gross proceeds of approximately \$27.7 million and 16,933 NSRs for gross proceeds of approximately \$12.7 million under the Offerings. Raymond James Ltd. and AltaCorp Capital Inc. acted as agents in connection with the Offerings.

After the completion of the Recapitalization Transaction, the principal shareholder of Delphi will be Luminus, which will own approximately 61.69% of the outstanding Common Shares (assuming the satisfaction of all conditions to exchange of the ESRs for Common Shares and the exercise of all Consent Warrants). The Recapitalization Transaction is expected to become effective on or around November 26, 2019 if all of the conditions precedent to such effectiveness are satisfied or waived on or before that date.

Delphi has determined that it will not proceed with its previously announced proposed brokered private placement of common shares issued on a “flow-through basis” under the *Income Tax Act* (Canada).

### **UPDATE ON SECURITYHOLDER MEETINGS**

Delphi is pleased to announce that the Alberta Court of Queen’s Bench has granted an interim order in respect of the Arrangement authorizing, among other things, the holding of separate meetings of Delphi’s holders of common shares (“**Common Shares**”) and of Delphi’s holders of 10.00% senior secured notes due July 15, 2021 (“**Existing Notes**”) to vote upon matters relating to the Recapitalization Transaction. These meetings have been scheduled for Friday, November 15, 2019.

Delphi’s management information circular in respect of the meetings will be filed on Delphi’s SEDAR profile at [www.sedar.com](http://www.sedar.com) later today and will be mailed to securityholders later this week. The board of directors and management of Delphi believe that it is important that the Recapitalization Transaction be approved and implemented to address Delphi’s

capital structure and liquidity needs, thereby placing the Company in a stronger position to continue to pursue its business strategy in the near future.

The board of directors of the Company recommends securityholders vote in favour of the Recapitalization Transaction in person or by proxy at the appropriate meeting on November 15, 2019. Securityholders should refer to the management information circular for additional details with respect to the Recapitalization Transaction and instructions on how to vote at the securityholder meetings.

#### **Shareholder Questions and Voting Assistance:**

Laurel Hill Advisory Group

North American Toll-Free: 1-877-452-7148

Collect Call Outside North America: +1-416-304-0211

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#### **RECAPITALIZATION TRANSACTION**

The Recapitalization Transaction includes a series of steps to implement changes to Delphi's capital structure. These steps include, among other things:

- The continuance of the Company into the federal jurisdiction of Canada under the *Canada Business Corporations Act*;
- A consolidation of the Common Shares on a 15 for 1 basis;
- The release to Delphi, in tranches, of the proceeds of the subscription receipt private placement and the issuance of the corresponding portion of the securities issuable pursuant to the ESRs and NSRs to their holders;
- The issuance of 700 transferable Common Share purchase warrants ("**Consent Warrants**") for each \$1,000 principal amount of Existing Notes held by an eligible holder of Existing Notes, each such Consent Warrant exercisable at any time until April 15, 2023 for one fifteenth of a post-consolidation Common Share at an aggregate exercise price of \$2.23 per whole post-consolidation Common Share (equal to \$0.149 per Common Share on a pre-share consolidation basis);
- An amendment and restatement of the trust indenture (the "**Amended and Restated Trust Indenture**") governing the Existing Notes to, among other things, extend the maturity of the Existing Notes from July 15, 2021 to April 15, 2023, amend the redemption prices in respect of redemptions under the trust indenture to add "2020 – 103.00%, and 2021 and thereafter 100.00%", and to provide for a gross-up in respect of any withholding taxes on interest payments in respect of Existing Notes and notes issuable pursuant to the NSRs ("**Offered Notes**") held by a non-arm's length party in an amount equal to the lesser of: (i) 50% of any such taxes determined by Delphi to be required to be withheld under applicable law; and (ii) 12.5% of any such interest payment; and
- The amendment and exchange of Existing Notes for notes reflecting the above amendments (the "**Amended Notes**").

Under the *Income Tax Act* (Canada) (the "**ITA**"), at the time of each quarterly interest payment, Delphi is required to withhold tax on interest paid on notes that are held by non-residents of Canada that are not dealing at arm's length with Delphi. The rate of withholding tax is 25%, subject to reduction by an applicable tax treaty. Generally, for purposes of the ITA, a person will be considered to not deal at arm's length with Delphi if the person (a) alone or as part of a group of persons related to each other for purposes of the ITA legally controls Delphi, (b) is related to any person described in (a), or (c) is factually not dealing at arm's length with Delphi. A person will exercise legal control over Delphi if it holds Common Shares that give it the ability, or the person otherwise has the ability, to appoint a majority of the board of directors of Delphi. Following the completion of the Recapitalization Transaction, Luminus and its affiliates not resident of Canada for purposes of the ITA may not be arm's length with Delphi. In that case, Delphi would be required to withhold Canadian tax on interest paid on the Amended Notes and Offered Notes held by Luminus or such affiliates. If the maximum 25% withholding tax rate applies, Delphi anticipates that the aggregate gross up payment to Luminus and such affiliates pursuant to the Amended and Restated Trust Indenture will be approximately \$201,150 per quarter, or \$804,600 per year in aggregate (calculated using Luminus' current holdings of Existing Notes and assuming the exchange of all of the NSRs subscribed for by Luminus or its affiliates not resident in Canada for purposes of the ITA into Offered Notes), payable in cash at the time of the applicable interest payment (but, for clarity, only to the extent that interest is actually withheld). Delphi is not aware of any other holder of its Existing Notes or its Offered Notes that will not be dealing at arm's length with Delphi following completion of the

Recapitalization Transaction. Additional information with respect to the Recapitalization Transaction is contained in Delphi's management information circular.

This news release does not constitute an offer to sell or a solicitation of any offer to buy the securities in the United States. The securities offered have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and will not be offered or sold in the United States absent an exemption from the registration requirements thereof.

## **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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**DAVID J. REID**  
President & CEO

**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 the amount of proceeds to be raised under the Offerings; the completion of the Offerings and the timing thereof; the subscription by Luminus under the Offerings; the use of proceeds from the Offerings; the completion of the Recapitalization Transaction and the timing thereof; the Company's future drilling and development plans; the Company's future business plans and strategy; the Company's future liquidity and financial capacity; and anticipated results from the Recapitalization Transaction. 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: satisfaction of all conditions to completion of the Offerings and the Recapitalization Transaction; the timely receipt of required regulatory, shareholder, noteholder, lender and other approvals; that no event will occur that would trigger termination rights in respect of the Recapitalization Transaction; 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.*

*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.*