



October 11, 2019

Dear Fellow Investors of Delphi Energy Corp. (“**Delphi**” or the “**Corporation**”):

Delphi has been engaged in a comprehensive process to explore and evaluate various alternatives to optimize its capital structure. Delphi, with the assistance of its legal and financial advisors, has engaged in confidential discussions and consultations with significant holders of its 10% Senior Secured Notes due 2023 (the “**Existing Notes**”) and/or its common shares (the “**Common Shares**”). Based on these efforts, Delphi believes that the proposed series of transactions (collectively, the “**Recapitalization Transaction**”), which involves a capital raise of \$46,500,000 from 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) and certain other investors, as set out in greater detail in the accompanying management information circular (the “**Information Circular**”), represents the best available option to increase financial liquidity and strengthen the balance sheet, repositioning the Corporation for future growth and value enhancement.

A meeting of holders of Existing Notes and a meeting of holders of Common Shares of the Corporation will be held to approve the Recapitalization Transaction. These Meetings will be held at the offices of Osler, Hoskin & Harcourt LLP at Suite 2500, TC Energy Tower, 450 – 1st Street S.W., Calgary, Alberta on November 15, 2019.

The Reasons and Benefits of the Recapitalization Transaction include:

- Delphi will be in a stronger financial position as it will have no debt maturities in respect of its non-revolving debt prior to 2023, maintaining stability for the Corporation and mitigating the risk associated with a nearer term maturity date;
- an improvement in Delphi’s liquidity position, its cost of capital and the going concern nature of its business;
- proceeds from the Recapitalization Transaction will be directed toward the drill and completion of two three well pads or can be used toward consolidation of additional working interests in our core area of operations;
- decreases the risk associated with the Senior Lenders’ borrowing base review as the Recapitalization Transaction allows Delphi to increase producing reserves while decreasing bank debt;
- structured release of proceeds provides the working capital required in order to carry out the 2019/2020 winter capital program;
- allows current Shareholders to participate in the opportunity the Company has to realize potential equity appreciation from current levels through further develop its core asset;

Capitalized terms used but not otherwise defined in this letter have the meanings given to them in the Information Circular.

- Delphi will continue to satisfy its obligations to employees, suppliers, customers and governmental authorities will continue to be satisfied in the ordinary course of business.

AltaCorp Capital Inc., an independent financial advisor retained by the Board, has provided an opinion (the “**Fairness Opinion**”) to the Board that based on its analyses and subject to the scope of review, assumptions and limitations set forth in the Fairness Opinion, as of September 23, 2019, the Recapitalization Transaction, if implemented, is fair, from a financial point of view, to the Corporation. Raymond James Ltd., an independent financial advisor retained by the Board, has also provided an opinion (the “**CBCA Opinion**”) to the Board that as of September 23, 2019 and subject to the scope of review, assumptions and limitations set forth in the CBCA Opinion, the Noteholders and Shareholders, other than Luminus (on which it was not asked to opine), would be in a better financial position, respectively, under the Recapitalization Transaction than if the Corporation were liquidated as, in each case, the estimated aggregate value of the securities to be held by the Noteholders and Shareholders, respectively, following the Recapitalization would exceed the estimated aggregate value the Noteholders and Shareholders would receive in a liquidation, respectively. A copy of the Fairness Opinion is appended as Appendix H to the Information Circular and a copy of the CBCA Opinion is appended as Appendix I to the Information Circular.

After careful consideration and based on a number of factors, including the Fairness Opinion and the CBCA Opinion, the Board has unanimously determined that the Recapitalization Transaction is in the best interests of Delphi and its stakeholders and represents the best available alternative to address Delphi’s capital structure and liquidity needs and preserve value for Delphi and its stakeholders. **The Board unanimously recommends that all Noteholders and Shareholders support the Recapitalization Transaction and vote, as applicable, in favour of the Private Placements, the Continuance and the Arrangement.**

The Board and management of Delphi believe that it is extremely important that the Recapitalization Transaction be approved and implemented in order to address Delphi’s capital structure and liquidity needs, given the ongoing challenging commodity and capital markets environment. With the support of Luminus, as a financial partner, the transaction places the company in a much stronger position to both continue its Montney growth strategy, as well as participate in possible area consolidation opportunities. We urge you to give serious attention to the Recapitalization Transaction and to support it in person or by proxy at the appropriate Meeting on November 15, 2019. We hope that we will receive your support and look forward to seeing you at the meeting.

Yours very truly,



David J. Reid
President, Chief Executive Officer and Director

EXECUTIVE SUMMARY OF THE RECAPITALIZATION

The Recapitalization Transaction contemplates the following key elements:

- a. Delphi will raise aggregate gross proceeds of up to \$46.5 million through:
 - i. an offering of equity subscription receipts (“**ESRs**”) on a private placement basis at a price of \$1.65 per ESR (the “**ESR Price**”) (equal to \$0.11 per underlying Common Share) for gross proceeds of a minimum of approximately \$28,000,000 and a maximum of approximately \$30,000,000. Luminus Management, LLC (“**Luminus**”) has agreed to subscribe for ESRs having an aggregate subscription value of \$28,000,000, priced at the ESR Price. Each ESR will be automatically exchanged from time to time into one (1) Post-Consolidation Share (equal to 15 pre-Share Consolidation Common Shares) as more particularly described in the Information Circular; and
 - ii. a concurrent offering of note subscription receipts (“**NSRs**”) on a private placement basis at a price of \$750 per NSR (the “**NSR Price**”) (equal to 75% of the par value of the underlying notes) for gross proceeds of a minimum of \$15,000,000 and a maximum of \$16,500,000. Luminus has agreed to subscribe for NSRs having an aggregate subscription value of \$15,000,000, priced at the NSR Price. Each NSR will be automatically exchanged from time to time into 10% senior secured notes of Delphi due 2023 (the “**Offered Notes**”) having an aggregate principal amount of at least \$20,000,000 (assuming the minimum subscription amount) and up to \$22,000,000 (assuming the maximum subscription amount), as more particularly described in the Information Circular. The Offered Notes will have exactly the same terms, be issued under the same trust indenture, and will form part of the same series, as the Existing Notes,

(together, the “**Private Placements**”);
- b. (the trust indenture governing the Existing Notes will be amended and restated to, among other things, extend the maturity of the Existing Notes from July 15, 2021 to April 15, 2023, and the Existing Notes will be amended and exchanged for notes reflecting those amendments (the “**Amended Notes**”);
- c. (each Eligible Noteholder will receive 700 transferable Common Share purchase warrants (the “**Consent Warrants**”) for each \$1,000 principal amount of Existing Notes held by such holder. Each Consent Warrant will be exercisable at any time until April 15, 2023 for one fifteenth of a Post-Consolidation Share at an aggregate exercise price of \$2.23 per whole Post-Consolidation Share (equal to \$0.149 per Common Share on a pre-Share Consolidation basis);
- d. the Amended Notes and the Consent Warrants that would have been issuable and deliverable to Non-Eligible Noteholders if they had been Eligible Noteholders will be delivered to the Selling Agent for sale under the terms of the Selling Agent Agreement, pursuant to which the Selling Agent will effect sales of such Amended Notes and Consent Warrants. Non-Eligible Noteholders shall be entitled to receive their proportionate share of the net cash proceeds

of the sale of such securities, but shall not continue to hold any ownership interest in any Existing Notes or be entitled to receive any Amended Notes or Consent Warrants; and

- e. the issued and outstanding Common Shares will be consolidated on a 15 for 1 basis (the **“Share Consolidation”**).

Among other things, the Recapitalization Transaction also contemplates:

- a. the continuance of Delphi into the federal jurisdiction of Canada under the Canada Business Corporations Act (the **“Continuance”**) prior to the implementation of the Plan of Arrangement;
- b. the release of a portion of the proceeds of the Private Placements to Delphi and the issuance of the corresponding portion of the securities issuable pursuant to the ESRs and NSRs to the holders thereof in accordance with the Subscription Receipt Agreement; and
- c. the transfer by 11200305 Canada Inc. of all of its assets to Delphi in consideration for a non-interest bearing promissory note issued by Delphi with a principal amount equal to the value of the transferred assets.

On September 23, 2019, Delphi entered into a recapitalization transaction agreement with Luminus Management, LLC and support agreements with each of Delphi’s officers and directors pursuant to which Delphi agreed to pursue, and Luminus and such officers and directors agreed to support, the Recapitalization Transaction, which includes the Private Placements, the Continuance and the Arrangement.

The Recapitalization Transaction will be implemented in part by way of a plan of arrangement pursuant to section 192 of the Canada Business Corporations Act (the **“Arrangement”**). Noteholders will be asked to approve the Arrangement at the Noteholders’ Meeting. Shareholders will be asked to approve the Private Placements, the Continuance and the Arrangement at the Shareholders’ Meeting.

These materials are important and require your immediate attention. The transactions contemplated in the Recapitalization Transaction are complex. The accompanying Information Circular contains a description of the Recapitalization Transaction, including details regarding the Private Placements, the Continuance and the Arrangement, along with other information concerning Delphi to assist you in considering these matters. You are urged to review this information carefully. Should you have any questions or require assistance in understanding and evaluating how you will be affected by the proposed Recapitalization Transaction, please consult your legal, tax or other professional advisors.
