



press release

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DELPHI ENERGY RELEASES MIDYEAR 2013 RESERVES UPDATE

CALGARY, ALBERTA – September 3, 2013 – Delphi Energy Corp. (“Delphi” or the “Company”) is pleased to provide updated crude oil and natural gas reserves information as of June 30, 2013.

In the first six months of 2013, Delphi continued the development of its Montney play at Bigstone by bringing three additional horizontal Montney wells on production. These three new wells were completed with a slickwater hybrid fracture stimulation, a completion technique which had not been undertaken in the greater Bigstone area. Due to the success and exceptional production results of this new completion technique, Delphi engaged GLJ Petroleum Consultants Ltd. (“GLJ”) to complete a midyear reserve update effective June 30, 2013.

Highlights

- Increased total proved reserve value (before income taxes, discounted at 10 percent) by 56 percent to \$331.9 million compared to December 31, 2012. Total proved plus probable reserve value (before income taxes, discounted at 10 percent) increased by 50 percent to \$544.6 million compared to December 31, 2012;
- Increased total proved reserves by 35 percent to 32.0 million barrels of oil equivalent (“boe”) compared to December 31, 2012. Total proved plus probable reserves increased by 30 percent to 56.1 million boe compared to December 31, 2012;
- For the six months ended June 30, 2013, achieved finding and development costs (“F&D”) including changes in future development costs (“FDC”) of \$9.58 per boe for total proved reserves and \$7.57 per boe for total proved plus probable reserves. Including acquisitions and dispositions in the six months, finding, development and acquisition costs (“FD&A”), including changes in FDC were \$10.66 per boe for total proved reserves and \$8.29 per boe for total proved plus probable reserves;
- For the six months ended June 30, 2013, realized an operating netback of \$17.43 per boe (calculated by subtracting royalties, operating and transportation costs from revenues) providing a total proved plus probable recycle ratio of 2:1;
- Replaced first half 2013 production of 1.37 million boe by 10.5 times with total proved plus probable reserve additions (including revisions) of 14.4 million boe;
- Increased total proved plus probable Bigstone Montney reserves by 143 percent to 26.8 million boe compared to 11.0 million boe at December 31, 2012;
- Increased net asset value per share by 49 percent to \$3.21 compared to December 31, 2012.

Bigstone Montney Reserves

In the first six months of 2013, the majority of the Company's capital was deployed toward the development of its Montney play at Bigstone. A summary of the Montney reserves at Bigstone at June 30, 2013 and at December 31, 2012 is presented below.

	Proved Developed Producing		Total Proved		Total Proved Plus Probable	
	Reserves (mboe) ⁽²⁾	Value ⁽¹⁾ (\$ millions)	Reserves (mboe) ⁽²⁾	Value ⁽¹⁾ (\$ millions)	Reserves (mboe) ⁽²⁾	Value ⁽¹⁾ (\$ millions)
December 31, 2012	1,178	18.1	3,375	23.1	11,006	91.7
June 30, 2013	3,218	59.0	13,414	168.8	26,774	313.5
Percent Change	173%	227%	297%	632%	143%	242%

⁽¹⁾ Net present value of future net revenue, discounted at 10 percent and calculated before the deduction of income taxes and estimated future site restoration costs but are reduced for estimated future abandonment costs for reserve wells and estimated capital for future development associated with the reserves. The estimated values disclosed do not necessarily represent fair market value.

⁽²⁾ Delphi's reserves represent the operated and non-operated working interest share of reserves before deduction of royalties and include any royalty interests of the Company. Oil equivalent amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil (6:1).

Delphi's first two Montney wells, that were each completed with a 30 stage slickwater hybrid fracture stimulation at 10-27-60-23W5M ("10-27") and 16-23-60-23W5M ("16-23"), have been assigned total proved plus probable, initial recoverable reserves of 1.7 million boe gross (1.5 million boe net) and 1.5 million boe gross (1.5 million boe net), respectively. Total proved plus probable before tax net present value, discounted at 10 percent, at June 30, 2013 for 10-27 is \$25.8 million net and for 16-23 is \$26.0 million net. Total proved initial recoverable reserves assigned to 10-27 are 1.3 million boe gross (1.1 million boe net) with 1.1 million boe gross (1.1 million boe net) assigned at 16-23. Total proved before tax net present value, discounted at 10 percent, at June 30, 2013 for 10-27 is \$21.6 million net and for 16-23 is \$21.9 million net.

The net reserves assigned to these two wells alone replaced production of 1.37 million boe for the first six months of 2013 by 1.6 times on a total proved basis and 2.2 times on a total proved plus probable basis.

The Company now has 12 gross (10.2 net) and 20 gross (17.0 net) undeveloped Montney locations booked for proved and proved plus probable, respectively, up from 5 gross (4.0 net) proved and 11 gross (9.3 net) proved plus probable at December 31, 2012. Total proved reserves assigned to the 10.2 net undeveloped locations is 9.9 million boe net with associated future development costs (uninflated) of \$98.9 million net. Total proved plus probable reserves assigned to the 17.0 net undeveloped locations is 22.0 million boe net with associated future development costs (uninflated) of \$165.4 million net.

Corporate Reserves Summary

GLJ Petroleum Consultants Ltd., the Company's independent petroleum engineering firm, has evaluated Delphi's crude oil, natural gas and natural gas liquids reserves as at June 30, 2013 and prepared a reserves report in accordance with National Instrument 51-101 "Standards of Disclosure for Oil and Gas Activities" and the "Canadian Oil and Gas Evaluation Handbook". GLJ's price forecast dated July 1, 2013 was used in the evaluation.

The following is summary reserves information detailed in the GLJ reserves report at June 30, 2013:

Reserves ⁽¹⁾	June 30, 2013			Total (mboe) ⁽²⁾	% of P+P
	Light and Medium Oil (mnbbls)	Natural Gas (mmcf)	Natural Gas Liquids (mnbbls)		
Proved					
Developed Producing	478	66,829	2,868	14,484	26
Developed Non-producing	-	6,717	264	1,383	2
Undeveloped	171	68,313	4,601	16,157	29
Total Proved	649	141,859	7,733	32,025	57
Probable	307	105,789	6,119	24,058	43
Total Proved Plus Probable	956	247,648	13,852	56,082	100

⁽¹⁾ Delphi's reserves represent the operated and non-operated working interest share of reserves before deduction of royalties and include any royalty interests of the Company.

⁽²⁾ Oil equivalent amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil (6:1).

Net Present Value of Future Net Revenue

The estimated future net revenues associated with Delphi's reserves at June 30, 2013 based on the GLJ July 1, 2013 price forecast, are summarized in the following table.

(\$ millions) ⁽¹⁾	Net Present Values of Future Net Revenue Before Income Taxes Discounted at (%/year)					Unit Value Before Income Tax Discounted at 10%/year ⁽²⁾	
	0%	5%	10%	15%	20%	(\$/boe)	(\$/mcf)
Proved							
Developed Producing	258.9	211.6	180.1	157.8	141.1	15.09	2.52
Developed Non-Producing	20.4	13.9	10.3	8.0	6.5	8.43	1.41
Undeveloped	324.1	207.0	141.5	101.1	74.4	10.04	1.67
Total Proved	603.3	432.5	331.9	266.9	222.0	12.18	2.03
Probable	600.8	330.6	212.7	150.5	113.0	10.38	1.73
Total Proved Plus Probable	1204.1	763.1	544.6	417.4	335.0	11.41	1.90

⁽¹⁾ The estimated future net revenues are before the deduction of estimated future site restoration costs but are reduced for estimated future abandonment costs for reserve wells and estimated capital for future development associated with the reserves. The estimated values disclosed do not necessarily represent fair market value.

⁽²⁾ Unit values are calculated using net reserves defined as Delphi's working interest share after deduction of royalty obligations plus Delphi's royalty interests.

Future Net Revenue (undiscounted)

Reserves Category	Revenue (\$ millions)	Royalties (\$ millions)	Operating Costs (\$ millions)	Development Costs (\$ millions)	Abandonment Costs (\$ millions)	Future Net Revenue Before Income Taxes (\$ millions)
Total Proved	1,366.8	197.1	388.6	168.3	9.5	603.3
Total Proved Plus Probable	2,566.8	385.9	686.7	278.0	12.1	1,204.1

Forecast Prices

The following is a summary of GLJ's July 1, 2013 price forecast used in the evaluation.

Year	Natural Gas		Oil			Inflation %	Exchange Rate \$US/\$CDN
	AECO/NIT Spot \$CDN/MMBtu	NYMEX Henry Hub \$US/MMBtu	Edmonton Light \$CDN/bbl	NYMEX WTI \$US/bbl	Pentanes Plus Edmonton \$CDN/bbl		
2013 Q3	3.60	4.00	92.50	95.00	101.75	2.0	1.000
2013 Q4	3.83	4.25	92.50	95.00	101.75	2.0	1.000
2013 Full Year	3.55	3.95	91.56	94.52	103.77	1.3	0.994
2013 Q3-Q4	3.71	4.13	92.50	95.00	101.75	2.0	1.000
2014	3.83	4.25	94.00	95.00	103.40	2.0	1.000
2015	4.28	4.75	94.00	95.00	101.52	2.0	1.000
2016	4.72	5.25	96.50	97.50	102.29	2.0	1.000
2017	4.95	5.50	96.50	97.50	100.36	2.0	1.000
2018	5.22	5.80	96.50	97.50	100.36	2.0	1.000
2019	5.32	5.91	97.54	98.54	101.44	2.0	1.000
2020	5.43	6.03	99.51	100.51	103.49	2.0	1.000
2021	5.54	6.15	101.52	102.52	105.58	2.0	1.000
2022	5.64	6.27	103.57	104.57	107.71	2.0	1.000
2023+	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	2.0	1.000

Reserves Reconciliation

The following reconciliation of Delphi's reserves compares changes in the Company's reserves at December 31, 2012 to the reserves at June 30, 2013, each evaluated in accordance with National Instrument 51-101 definitions.

Proved	Light and Medium Crude Oil (mbbls)	Associated and Non-Associated Gas (mmcf)	Natural Gas Liquids (mbbls)	Total Oil Equivalent (mboe)
December 31, 2012	691	109,368	4,876	23,796
Extensions and Improved Recovery	-	40,178	3,283	9,979
Technical Revisions	14	(1,645)	(118)	(378)
Discoveries	-	-	-	-
Acquisitions	-	-	-	-
Dispositions	-	-	-	-
Economic Factors	-	-	-	-
Production	(57)	(6,042)	(308)	(1,372)
June 30, 2013	649	141,859	7,733	32,025

Probable	Light and Medium Crude Oil (mbbls)	Associated and Non-Associated Gas (mmcf)	Natural Gas Liquids (mbbls)	Total Oil Equivalent (mboe)
December 31, 2012	326	86,427	4,536	19,267
Extensions and Improved Recovery	-	9,191	467	1,999
Technical Revisions	(19)	10,171	1,116	2,792
Discoveries	-	-	-	-
Acquisitions	-	-	-	-
Dispositions	-	-	-	-
Economic Factors	-	-	-	-
Production	-	-	-	-
June 30, 2013	307	105,789	6,119	24,058

Proved Plus Probable	Light and Medium Crude Oil (mbbls)	Associated and Non-Associated Gas (mmcf)	Natural Gas Liquids (mbbls)	Total Oil Equivalent (mboe)
December 31, 2012	1,017	195,795	9,413	43,062
Extensions and Improved Recovery	-	49,369	3,750	11,978
Technical Revisions	(5)	8,526	998	2,414
Discoveries	-	-	-	-
Acquisitions	-	-	-	-
Dispositions	-	-	-	-
Economic Factors	-	-	-	-
Production	(57)	(6,042)	(308)	(1,372)
June 30, 2013	956	247,648	13,852	56,082

Finding and Development Costs

Finding and development costs in the first six months of 2013, full year 2012, and averages for the last two and a half most recent years, were as follows:

	Midyear 2013		Yearend 2012		YE2011-MY2013	
	Proved	Proved Plus Probable	Proved	Proved Plus Probable	Proved	Proved Plus Probable
Capital (\$ thousands)						
Exploration and Development ("E&D") Costs	31,317	31,317	83,730	83,730	229,524	229,524
Change in Future Development Costs ("FDC") related to E&D	60,618	77,563	31,644	65,642	93,735	153,317
Total E&D Costs	91,935	108,880	115,374	149,372	323,259	382,841
Acquisition Costs	13,664	13,664	139	139	14,077	14,077
Disposition Proceeds	(3,277)	(3,277)	(34,664)	(34,664)	(50,814)	(50,814)
Change in FDC related to Acquisitions and Dispositions ("A&D")	-	-	(8,299)	(8,299)	(9,461)	(10,234)
Total Net A&D Costs	10,387	10,387	(42,823)	(42,823)	(46,198)	(46,971)
Total Costs	102,322	119,267	72,551	106,549	277,061	335,870
Reserves (mboe)						
Reserve Additions ⁽¹⁾	9,601	14,392	4,172	9,134	19,655	32,976
Acquisitions and Dispositions	-	-	(2,421)	(3,225)	(2,712)	(3,776)
Total Reserve Additions	9,601	14,392	1,751	5,909	16,943	29,199
Finding and Development Costs (\$/boe)						
E&D, excluding change in FDC	3.26	2.18	20.07	9.17	11.68	6.96
E&D, including change in FDC related to E&D	9.58	7.57	27.66	16.35	16.45	11.61
Exploration, Development, Acquisitions and Dispositions, including change in FDC	10.66	8.29	41.45	18.03	16.35	11.50

Total exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect the total cost of reserve additions in that year.

⁽¹⁾ Includes extensions and improved recovery, technical revisions, discoveries, and economic factors.

Net Asset Value

The estimated net asset value of the Company at June 30, 2013 has been calculated using the before tax, net present value of reserves discounted at 10 percent as follows:

(\$ thousands except share count and per share value)	Proved	Proved Plus Probable
Estimated future net revenues of reserves ⁽¹⁾	331,865	544,558
Undeveloped land ⁽²⁾	83,755	83,755
Mark-to-market value of hedging contracts ⁽³⁾	(1,952)	(1,952)
In-the-money option proceeds ⁽⁴⁾	8,880	8,880
Total asset value	422,548	635,241
Bank debt plus working capital deficiency	(118,645)	(118,645)
Net asset value	303,902	516,595
Common shares outstanding and in-the-money options	160,921,798	160,921,798
Net asset value per share	1.89	3.21

⁽¹⁾ Discounted at 10 percent and before deducting future income tax expenses and reclamation costs. The Company estimates it has approximately \$341 million of tax deductions available to offset future taxable income.

⁽²⁾ Fair value of undeveloped land was determined by compiling two independent land valuation reports dated December 31, 2012 (for the Company's land holdings at the time) and February 1, 2013 (for a land acquisition as previously disclosed in Delphi's press release dated March 26, 2013) and manually adjusting the aggregate report totals by removing those lands that have since been assigned reserves. The aforementioned independent land valuation reports were prepared by Seaton-Jordan & Associates Ltd. and were compliant with section 5.9(1)(e) of NI 51-101.

⁽³⁾ Includes both physical and financial positions at June 30, 2013.

⁽⁴⁾ In-the-money option proceeds are based on the closing June 30, 2013 share price of \$1.28.

Operations Update

The Company's two most recently completed wells at 10-27 and 16-23 continue to perform better than expectations. Continued strong production rates and total liquids representing over 40 percent of the total production to date are expected to result in payout of the 10-27 and 16-23 wells in less than one year, ranking the wells as two of the best gas wells, based on cumulative production, that industry has drilled recently.

Delphi has commenced its summer drilling program in East Bigstone at 15-24-60-23W5M. This is the first of three wells planned prior to the end of 2013, two of which are scheduled to be completed and on production by year-end. The capital program is expected to be a continuous one rig drilling program with up to eight additional wells planned for 2014.

The Company has completed the drilling portion of its South Bigstone stratigraphic test and will be continuing with the drilling of the horizontal Montney portion as part of the previously announced industry farm-in, whereby Delphi will earn a 75 percent working interest in 32.5 sections of Montney lands upon completion of the farm-in commitments. The well with a surface located at 5-8-59-22W5M will be completed, equipped and pipeline connected in 2014 as part of the planned 15 kilometre pipeline expansion from the 7-11 Delphi owned facility to the 5-8 wellsite.

Outlook

The refined drilling and completion techniques utilized on our most recent Montney horizontal wells have delivered a step change in the economics of the Montney play in the Bigstone area, positioning the Company for long term self-funded growth. The June 30, 2013 reserves information update clearly reflects that change in economics.

The production profile of the new wells, with lower initial declines and greater condensate yields resulting in materially greater present value of the reserves and significantly reduced payout times, has had a favourable impact to the Company's cash generating capability and underlying asset value.

The Company now has six Montney wells drilled and on production and infrastructure built out over the past 15 months. The ongoing drilling activity will double the number of producing wells by spring break up 2014, marking the planned acceleration of the Montney drilling program as outlined in our five year development plan.

For the short term, the Company continues to expect net capital spending for 2013 to be between \$78.0 and \$82.0 million with production for the year to average approximately 8,000 to 8,400 boe/d. Total debt at December 31, 2013 is expected to be between \$130.0 and \$135.0 million. For 2013, Delphi expects AECO natural gas prices to average approximately Cdn. \$3.00 per mcf and Edmonton light oil prices to average approximately Cdn. \$94.00 per barrel, resulting in cash flow for 2013 of approximately \$38.0 to \$41.0 million. For 2014, Delphi is estimating production to average 9,500 to 10,000 boe/d on a gross capital program of \$80.0 to \$90.0 million. The capital program is fully funded from cash flow and credit facilities through the second half of 2014 with plans in place to supplement cash flow to fund the full capital program for 2014.

The potential growth in proved developed producing reserves and value from the Montney development program, particularly additional results similar to 10-27 and 16-23, should continue to support increases in the credit capacity of the Company. Greater cash flow from stronger operating netbacks and increased credit capacity will strengthen the balance sheet, providing the capital required to fully fund our 2014 capital program.

For the long term, the Company has a current project inventory that will provide economic growth beyond a ten year horizon. As previously communicated, Delphi's five year growth plan contemplates production growth to 20,000 boe/d by 2017, with targeted annual production per share growth of 25 percent and annual cash flow per share growth of 45 percent. Capital spending over the next five years to achieve that result under the plan is projected to be \$560 million, funded 90 percent from cash flow to drill 50 Montney horizontal wells and fund the expansion of Delphi's 100 percent owned facility. Delphi's total debt and debt to cash flow is expected to peak in 2014 as future capital requirements are estimated to be funded from growth in cash flow. As cash flow grows with a stable level of total debt, Delphi's debt to cash flow ratio is expected to decrease significantly over the 5 year plan, providing excess credit capacity.

In addition, the Company continues to pursue additional consolidation opportunities in the Bigstone/Fir area, leveraging off of its control of critical infrastructure and advanced understanding of the Montney play in the area.

Delphi Energy is a Calgary-based company that explores, develops and produces oil and natural gas in Western Canada. The Company is managed by a proven technical team. Delphi trades on the Toronto Stock Exchange under the symbol DEE.

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Forward-Looking Statements. *This release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words “expect”, “anticipate”, “continue”, “estimate”, “may”, “will”, “should”, “believe”, “intends”, “forecast”, “plans”, “guidance” and similar expressions are intended to identify forward-looking statements or information.*

More particularly and without limitation, this management discussion and analysis contains forward looking statements and information relating to the Company’s risk management program, petroleum and natural gas production, future funds from operations, capital programs, commodity prices, costs and debt levels. The forward-looking statements and information are based on certain key expectations and assumptions made by Delphi, including expectations and assumptions relating to prevailing commodity prices and exchange rates, applicable royalty rates and tax laws, future well production rates, the performance of existing wells, the success of drilling new wells, the capital availability to undertake planned activities and the availability and cost of labour and services.

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. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results may differ 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, the ability to access sufficient capital from internal and external sources 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 reports on file with the applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com). The forward-looking statements and information contained in this press release are made as of the date hereof 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.

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 with 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.

Non-IFRS Measures. *The release contains the terms “funds from operations”, “funds from operations per share”, “net debt”, “operating netbacks” “cash netbacks” and “netbacks” which are not recognized measures under IFRS. 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. 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. Funds from operations is a non-IFRS measure and has been defined by the Company as cash flow from operating activities before accretion on long-term debt, decommissioning expenditures and changes in non-cash working capital. The Company also presents funds from operations 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 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 or other measures of financial performance calculated in accordance with IFRS. The Company has defined net debt as the sum of long term debt plus/minus working capital excluding the current portion of the fair value of financial instruments plus the long term portion of the restricted share units (“RSU”). Net debt is used by management to monitor remaining availability under its credit facilities. Operating netbacks have been defined as revenue less royalties, transportation and operating costs. Cash netbacks have been defined as operating netbacks less interest and general and administrative costs. Netbacks are generally discussed and presented on a per boe basis.*