



# PRESS RELEASE

2300, 333 – 7th Avenue S.W. Calgary, Alberta, T2P 2Z1  
T (403) 265-6171 F (403) 265-6207 E info@delphienergy.ca www.delphienergy.ca

TSX SYMBOL:  
**DEE**

*\*\*Not for distribution to United States News Services or Dissemination in the United States\*\**

## DELPHI ENERGY CORP. ANNOUNCES RECAPITALIZATION TRANSACTION AND BOARD CHANGES

**CALGARY, ALBERTA** – September 23, 2019 – **Delphi Energy Corp.** (“**Delphi**” or the “**Company**”) is pleased to announce a significant recapitalization transaction (the “**Recapitalization Transaction**”) that repositions the Company for future growth and value enhancement. The Recapitalization Transaction achieves the following corporate objectives:

- Raises a minimum of \$43 million of new equity and debt capital exclusively for the development of the Company’s Bigstone Montney asset or consolidation of assets in Delphi’s core area;
- Increases financial liquidity and strengthens the balance sheet;
- Extends the maturity of the Company’s 10% Collateralized Exchange Listed™ Senior Secured Notes (“**Existing Notes**”) from July 15, 2021 to April 15, 2023; and
- Provides for a 15-to-1 consolidation of Delphi’s common shares.

The completion of the Recapitalization Transaction is conditional upon, among other things, the approval by the holders of Delphi’s common shares (the “**Common Shares**”) and by the holders of the Existing Notes at separate meetings of those securityholders to be called for such purposes (the “**Meetings**”).

### RECAPITALIZATION TRANSACTION

On September 23, 2019, Delphi entered into a recapitalization transaction agreement (the “**Recapitalization Agreement**”) with Luminus Management LLC (“**Luminus**”) and executed support agreements with all of Delphi’s officers and directors (the “**Support Agreements**”). Pursuant to the Recapitalization Agreement and the Support Agreements, Luminus and all of Delphi’s officers and directors have, among other things, agreed to support the Recapitalization Transaction. The Recapitalization Transaction will be implemented in part by way of a Plan of Arrangement under Section 192 of the *Canada Business Corporations Act* (the “**Arrangement**”), which Delphi’s shareholders and noteholders will be asked to approve at the Meetings.

The Meetings to approve the Arrangement are expected to be held in mid-November 2019. Notice of the Meetings and the information circular relating thereto (the “**Information Circular**”) will be mailed to shareholders and noteholders in mid-October 2019, and the Arrangement is expected to become effective by November 26, 2019 if all of the conditions precedent to such effectiveness are satisfied or waived on or before that date. In addition, the pursuit of the Recapitalization Transaction requires the consent of Delphi’s banking syndicate in respect of its existing senior credit facility.

The Recapitalization Transaction contemplates the following components:

1. Delphi will concurrently undertake two brokered private placements (together, the “**Private Placements**”) of subscription receipts to raise minimum gross proceeds of \$43 million, and up to \$46.5 million, with such funds being used to advance the Company’s capital program, as will be more particularly described in the Information Circular to be sent to shareholders and noteholders for purposes of voting on the Arrangement at the Meetings. The Private Placements will comprise:
  - (a) a private placement of equity subscription receipts (“**ESRs**”) at a price of \$1.65 per ESR (the “**ESR Price**”) (equal to \$0.11 per pre-consolidation Common Share), representing a premium of approximately 21% to the trailing 20 day volume weighted average trading price of the Common Shares as at September 20, 2019, for gross proceeds of a minimum of \$28 million and a maximum of \$30 million. Luminus has agreed to subscribe for ESRs having an aggregate subscription value of \$28 million, priced at the ESR Price. Each ESR will be automatically exchanged from time to time into one (1) post-consolidation Common Share

(equal to 15 pre-consolidation Common Shares) upon satisfaction of the applicable release conditions described below; and

- (b) a private placement of note subscription receipts (“**NSRs**”) at a price of \$750 per note (the “**NSR Price**”) (equal to 75% of the par value of the underlying notes) for gross proceeds of a minimum of \$15 million and a maximum of \$16.5 million. Luminus has agreed to subscribe for NSRs having an aggregate subscription value of \$15 million, priced at the NSR Price. Each NSR will be automatically exchanged from time to time into 10% Senior Secured Notes of Delphi due April 15, 2023 (the “**Offered Notes**”) having an aggregate principal amount of at least \$20 million (assuming the minimum subscription amount) and up to \$22 million (assuming the maximum subscription amount) upon satisfaction of the applicable release conditions described below. 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.

The gross proceeds from the Private Placements will be held in escrow on closing and released in accordance with the release conditions as set out below.

2. 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 (the “**Amended and Restated Indenture**”).
3. There will be issued, to each holder of Existing Notes, 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 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-consolidation basis), representing a 35% premium to the ESR Price.
4. The existing issued and outstanding Common Shares of the Company will be consolidated on a fifteen (15) for one (1) basis.
5. Delphi will be continued under the federal jurisdiction of Canada and the *Canada Business Corporations Act* prior to implementation of the Arrangement.

Assuming the minimum offering size under the Private Placements, subscription by Luminus for \$43 million under the Private Placements in accordance with the Recapitalization Agreement, satisfaction of all conditions to the exchange of subscription receipts for the underlying securities, and the consolidation of the Common Shares, there will be approximately 30 million Common Shares issued and outstanding immediately following implementation of the Recapitalization Transaction, of which 67.7% will be held by Luminus. A copy of the Recapitalization Agreement will be filed on SEDAR.

David Reid, CEO, commented, *“Upon completion of the Recapitalization Transaction, Delphi will be repositioned in this challenging environment with increased financial capacity to develop our high quality West Bigstone Montney asset, while more aggressively participating in Montney consolidation opportunities. As our largest shareholder, this transaction reflects Luminus’ continued support for the Delphi investment opportunity, and we are very pleased to welcome Luminus representation on the Board of Directors.”*

Tim Schneider, Head of E&P of Luminus Management LLC, commented, *“The dearth of capital available to public, small-cap Canadian energy companies presents a significant opportunity and Luminus is excited to deploy capital in support of credible management teams with the highest quality assets where we are confident that such investment will deliver best in class risk adjusted returns for our investors. We have been a significant shareholder of Delphi for several years during which time the quality and extent of their resource has expanded; as such we view this transaction as a reflection of our growing confidence in the opportunity and ensures that the company is properly capitalized to further enhance the value of Delphi’s Bigstone Montney asset for all stakeholders.”*

## **FLOW-THROUGH SHARE OFFERING**

In connection with the Recapitalization Transaction, Delphi will also undertake a brokered “best efforts” private placement of up to 41.7 million Common Shares (on a pre-consolidation basis) at a price of \$0.12 per share issued on a “flow-through basis” (the “**Flow-Through Shares**”) under the *Income Tax Act* (Canada) for total gross proceeds of up to \$5 million (the “**Flow-Through Share Offering**”). Completion of the Recapitalization Transaction will not be conditional upon completion of the Flow-Through Share Offering, but completion of the Flow-Through Share Offering will be conditional upon the completion of the Recapitalization Transaction. Proceeds from the Flow-Through Share Offering will be held in escrow until the effective date of the Arrangement.

Proceeds from the Flow-Through Share Offering, once released from escrow, will be expended to incur eligible Canadian Development Expenses (“CDE”) for purposes of the *Income Tax Act* (Canada).

#### **PRIVATE PLACEMENT FUNDS TO BE HELD IN ESCROW**

The ESRs and NSRs will be automatically exchanged for their respective underlying securities (Common Shares in the case of the ESRs, and Offered Notes in the case of the NSRs) and, subject to certain conditions, the gross proceeds from both issuances will be released from escrow, as follows: one third upon the effective date of the Arrangement, one third upon the date that is three (3) months after the effective date of the Arrangement, and one third upon the date that is the later of: (a) the date on which Delphi has (i) drilled, completed and tested the first of the two planned three-well pads at its West Bigstone property, and (ii) spud three additional wells at its West Bigstone property on the second pad; and (b) four and one half (4.5) months after the effective date of the Arrangement, provided that if the operational milestones described in subclause (a) do not occur within nine (9) months after the effective date of the Arrangement, the remaining subscription receipt proceeds will automatically be returned to investors and the associated subscription receipts will be cancelled.

With respect to each release of the securities and funds underlying the issuance of ESRs and NSRs, the following exceptions will apply:

1. The funds will be returned to investors and all associated subscription receipts will be cancelled if the Arrangement does not become effective by December 31, 2019.
2. Any funds that remain in escrow will be returnable to holders of ESRs and NSRs if (a) a default occurs under the Company’s credit facilities, or the Amended and Restated Indenture, or (b) certain events of insolvency occur.
3. If a change of control event occurs (other than as a result of Luminus acquiring Common Shares or exercising its board nomination rights), or Delphi proposes to make a material acquisition, all ESRs and NSRs will immediately be exchanged for their underlying securities and the escrowed funds will be released to the Company.
4. Following the Arrangement becoming effective, each holder of ESRs and NSRs will have the right to elect to accelerate the exchange of any remaining ESRs and NSRs held by it into the underlying securities.

#### **CONDITIONS OF THE ARRANGEMENT AND THE PRIVATE PLACEMENTS**

The agreement with Luminus to subscribe for securities under the Private Placements is subject to certain conditions, including the condition that the Company’s semi-annual borrowing base redetermination under its existing bank credit facilities shall be not less than \$80 million, effective until May 28, 2020, and the condition that the Toronto Stock Exchange shall have conditionally approved the Recapitalization Transaction and the listing of the Offered Notes and the Common Shares underlying the ESRs, subject only to receipt of customary final documentation. The approval and consent of Delphi’s bank credit syndicate will be required to complete the Recapitalization Transaction and must, among other things, include an amendment to the timing of Delphi’s semi-annual borrowing base redetermination to at least 21 days prior to the anticipated closing date for the Recapitalization Transaction.

The Arrangement is also subject to a number of further conditions including:

- Approval by shareholders and noteholders (voting separately) at the Meetings as will be set out in the Information Circular;
- Approval of the Arrangement by the Alberta Court of Queen’s Bench;
- Closing of the Private Placements for collective gross proceeds of not less than \$43 million;
- Receipt of the required regulatory approvals, including approval under the *Competition Act* (Canada) in connection with the acquisition of Common Shares by Luminus pursuant to the Recapitalization Transaction;
- Shareholders holding more than 2% of the Common Shares shall not have exercised dissent rights in respect of the continuance of Delphi to the CBCA and/or the Arrangement; and
- Completion of the Arrangement no later than December 31, 2019.

Raymond James Ltd. and AltaCorp Capital Inc. are financial co-advisors to Delphi in connection with the Recapitalization Transaction, including the Arrangement and the Private Placements.

AltaCorp Capital Inc. has provided Delphi's board of directors with an opinion that the Recapitalization Transaction, the Arrangement and the Private Placements are fair, from a financial point of view, to the Company. Raymond James has provided an opinion in respect of the Arrangement to Delphi's board of directors that after giving effect to the Recapitalization Transaction, the shareholders and noteholders would be in a better financial position than if the Company were liquidated.

## **INVESTOR RIGHTS AGREEMENT, EXCLUSIVITY AGREEMENT AND BOARD CHANGES**

In connection with the execution of the Recapitalization Agreement, Delphi entered into an amended and restated Investor Rights Agreement with Luminus under which Luminus was provided: (a) the right to designate for appointment or nomination to Delphi's Board of Directors up to the greater of two persons, or one third of the members of the Company's Board of Directors, so long as it holds at least 20% and less than 30% of the issued and outstanding Common Shares, (b) the right to designate for appointment or nomination to Delphi's Board of Directors a majority of the members of Delphi's board so long as it holds at least 30% of the issued and outstanding Common Shares, (c) a right of consent to the incurrence of certain priority debt by Delphi in excess of \$100 million so long as it holds at least 20% of the issued and outstanding Common Shares, and (d) a right of first refusal on certain future debt financings by Delphi so long as it holds at least 10% of the issued and outstanding Common Shares.

Delphi also entered into an Exclusivity Agreement with Luminus pursuant to which it agreed to deal exclusively with Luminus, and not to solicit, initiate or take any action to facilitate or encourage any alternative transactions involving the Company, until the earlier of: (a) December 31, 2019, (b) the closing date of the Recapitalization Transaction; (c) a failed securityholder vote with respect to the Recapitalization Transaction; (d) a failed application for a final court order approving the Arrangement; and (e) the date on which Delphi's senior lenders notify Delphi that they have determined not to consent to the Recapitalization Transaction, subject to the ability of the directors to exercise their fiduciary duties. Copies of the amended and restated Investor Rights Agreement and the Exclusivity Agreement will be filed on SEDAR.

In accordance with the amended and restated Investor Rights Agreement, Delphi announces that, effective September 23, 2019, Peter Harrison, Robert Lehodey and David Sandmeyer have resigned from Delphi's Board of Directors, and Tim Schneider and Eric Gallie (see biographies below), each a nominee of Luminus, have been appointed to Delphi's Board of Directors to fill vacancies created by those resignations, reducing the size of the Board of Directors to five (5), effective September 23, 2019.

Harry Campbell, Chairman, commented, *"The Board of Directors wish to thank Peter Harrison, Robert Lehodey and David Sandmeyer for their commitment and service to the Company, and we welcome Tim Schneider and Eric Gallie, who have been newly appointed to the Board of Directors."*

### **Tim Schneider – Head of E&P of Luminus Management LLC**

Tim Schneider joined Luminus in 2016 and manages the firm's upstream investment team. Over the past 15 years, Tim has focused exclusively on the energy sector, during that time he worked for various financial firms spanning investment banking, private equity and public investing platforms. Tim graduated from Middlebury College with a B.A. (majoring in Economics).

### **Eric Gallie – Senior Analyst (E&P) of Luminus Management LLC**

Eric Gallie joined Luminus in 2016 and works as a Senior Analyst in the firm's upstream investment team. Over the past 11 years, Eric has focused on the energy sector for various financial firms spanning industry, investment banking and public investing platforms. Eric graduated from the University of Lethbridge with a B.Com., majoring in Finance.

The Company looks forward to working within the stewardship of its reconstituted Board to successfully conclude the Recapitalization Transaction and move to a more robust and sustainable growth and value creation platform.

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:**

**DELPHI ENERGY CORP.**

2300 - 333 – 7<sup>th</sup> Avenue S.W.  
Calgary, Alberta  
T2P 2Z1

Telephone: (403) 265-6171 Facsimile: (403) 265-6207  
Email: info@delphienergy.ca Website: www.delphienergy.ca

**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 Private Placements and the Flow-Through Share Offering; the use of proceeds from the Private Placements and the Flow-Through Share Offering; the completion of the Private Placements, the Recapitalization Transaction, the Arrangement and the Flow-Through Share Offering and the timing thereof; the listing of the Offered Notes and the Consent Warrants on the Toronto Stock Exchange; 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 Recapitalization Transactions pursuant to the Recapitalization Agreement; the successful completion of the Private Placements and the Flow-Through Share Offering on the terms and at the time expected; 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 Private Placements or under the Recapitalization Agreement; 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.*