



# 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**

## DELPHI ENERGY CORP. ANNOUNCES CONTINUATION OF ITS STRATEGIC PROCESS UNDER A COURT-SUPERVISED RESTRUCTURING PROCEEDING

**CALGARY, ALBERTA** – April 14, 2020 – **Delphi Energy Corp.** (“**Delphi**” or the “**Company**”) announces that it intends to continue to carry out its strategic alternatives process, which may involve the sale of all or a portion of the business and assets or shares of the Company, or a refinancing, recapitalization or other restructuring transaction (the “**Strategic Process**”). However, it will now do so through a court-supervised restructuring proceeding.

Delphi was facing a breach of its Total Debt to EBITDA ratio under its credit agreement with its senior secured lenders, ATB Financial (as administrative agent), Bank of Montreal and The Bank of Nova Scotia (together the “**Senior Lenders**”). Delphi was unable to negotiate an agreement with its Senior Lenders that would have provided a waiver or amendment of the financial covenant and continued use of its credit facilities in order to negotiate a transaction under its Strategic Process outside of a court-supervised proceeding and to access liquidity to pay its trade creditors. Further, Delphi was unable to obtain permission of the Senior Lenders to unwind and monetize as little as \$1.8 million of Delphi’s in-the-money risk management contracts with a mark to market value of approximately \$15.2 million as at April 9, 2020, which would have brought Delphi inside its Total Debt to EBITDA ratio covenant.

Accordingly, Delphi has determined that, in the current circumstances, it is in the best interests of the Company and its stakeholders to implement the Strategic Process through a court-supervised restructuring proceeding, and has obtained today an initial order (the “**Initial Order**”) from the Court of Queen’s Bench of Alberta (the “**Court**”) under the *Companies’ Creditors Arrangement Act* (the “**CCAA**”). Pursuant to the Initial Order, among other things, a stay of proceedings has been granted in respect of the Company to allow Delphi to continue to operate its business without disruption while it conducts the Strategic Process and seeks to implement a potential sale or other restructuring transaction that may result from such Strategic Process for the benefit of its stakeholders.

The Company exhausted its options to successfully negotiate an agreement with the Senior Lenders in this challenging environment of the COVID-19 pandemic combined with an unprecedented oil price collapse. Delphi was unable to reach an agreement with the Senior Lenders notwithstanding that Delphi had, in the course of the last week, secured third party financing that would have funded the interest payment due on the Company’s senior secured notes and note subscription receipts on April 15, 2020 in the amount of approximately \$3.2 million, and had also made significant progress in maturing a possible transaction within the context of our Strategic Process.

“Despite our best efforts to implement a solution during the COVID-19 pandemic whereby our largest shareholder and also largest holder of senior secured notes would have provided funding to make the required interest payment to the holders of the notes, together with the Senior Lenders not making liquidity available to pay our trade payables as a result of the covenant default, we regret that we have no choice but to pursue a court-supervised restructuring process”, said David Reid, President and Chief Executive Officer of the Company. “We are all very disappointed with this result.”

Delphi has recently brought on production two of the three 100 percent working interest wells drilled and completed as part of its commitments in connection with its recapitalization transaction completed in November 2019 (the “**Recapitalization Transaction**”). Over the past 10 days, the two wells have averaged a combined production rate of 2,300 barrels per day (“**bbl/d**”) of field condensate, and 4.75 million cubic feet per day (“**mmcf/d**”) of sales gas, for a total production rate of approximately 3,280 barrels of oil equivalent per day (“**boe/d**”). During the month of March, corporate field condensate production averaged approximately 1,775 bbl/d of field condensate, 23.5 mmcf/d of natural gas and 970 bbl/d of natural gas liquids, for a total of 6,680 boe/d. It is Delphi’s intention to temporarily shut-in the two wells this week to preserve value, given the current low commodity prices, ongoing condensate apportionment issues and this court-supervised restructuring process.

The Company realized significant improvements to its drilling and completion costs on the three wells, achieving average costs of \$7.2 million per well, a 30 percent savings, or approximately \$3.0 million per well. All of the approximately \$23 million three well capital program was intended to be funded from the \$31 million of gross proceeds previously released to the Company as part of the Recapitalization Transaction. Those funds were temporarily applied to reduce amounts owing to the Senior Lenders and, along with nearly all of the funds flow generated by the Company in the first quarter, were used to reduce bank indebtedness to approximately \$31.3 million at March 31, 2020.

Delphi has actively managed its abandonment obligations with an ARO of approximately \$23.55 million as at March 31, 2020 and continues to have one of the strongest LLR ratings in industry at 9.91.

Prior to Delphi obtaining the Initial Order, Harry Campbell and Lamont Tolley, tendered their resignations as directors of Delphi. Delphi wishes to thank Messrs. Campbell and Tolley for their commitment and service to the Company.

Delphi continues to have AltaCorp Capital Inc. engaged as its financial advisor to assist the Company in connection with the conduct of the Strategic Process.

There can be no assurance that the Strategic Process will result in a transaction, and given the level of secured debt obligations of the Company, there can be no assurance with respect to the levels of recovery that may be available to satisfy claims made by the Company's secured or unsecured creditors, and its shareholders. Additional information with respect to the Strategic Process will be made available by the Company as determined necessary or appropriate by the Company during the CCAA proceedings.

Delphi intends to continue to pay its employees for services rendered during the CCAA proceedings and to pay its suppliers for goods and services provided to the Company following the commencement of the CCAA proceedings. PricewaterhouseCoopers Inc. has been appointed by the Court as monitor (the "**Monitor**") in the CCAA proceedings. Materials publicly filed in the CCAA proceedings, including copies of the Initial Order and the Strategic Process, will be made available on the Monitor's website at <http://www.pwc.com/ca/delphi>.

A comeback hearing in respect of the relief granted pursuant to the Initial Order will be scheduled for on or before April 24, 2020 (the "**Comeback Hearing**"). Interested parties wishing to bring a motion at the Comeback Hearing are required to provide notice to the affected parties prior to the Comeback Hearing pursuant to the requirements set forth in the Initial Order.

Osler, Hoskin & Harcourt LLP is acting as legal counsel to Delphi in connection with the Strategic Process and the CCAA proceedings.

In accordance with the policies of the Toronto Stock Exchange (the "**TSX**"), in connection with the CCAA proceedings, the TSX will be reviewing the continued listing of the common shares of the Company. The common shares of the Company have been suspended from trading at this time.

As a result of the commencement of CCAA proceedings, a return event has occurred in respect of Delphi's previously-issued equity subscription receipts ("**ESRs**") and note subscription receipts ("**NSRs**") effective April 14, 2020. In accordance with their terms, all outstanding ESRs and NSRs will be cancelled and the escrowed proceeds in respect of the ESRs and NSRs (in the aggregate amount of \$15.5 million), together with all interest accrued thereon and escrowed note fee payments previously paid by Delphi in respect of the NSRs, will be returned to their holders.

#### **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

**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 process and conduct of the Strategic Process and its potential impact and outcomes; the ability to identify and implement any sale or other restructuring in connection with the Strategic Process and the CCAA proceedings; the Company's intended actions during the CCAA proceedings; the effect of the CCAA proceedings; and the return of the escrowed proceeds, interest and accrued note fee payments in respect of the ESRs and NSRs. 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: risks associated with the ability of the Company to implement the Strategic Process; the ability of the Company to obtain all necessary approvals in order to complete any sale or other restructuring transaction identified in connection with the Strategic Process and the CCAA proceedings; the ability of the Company to operate in the ordinary course during the CCAA proceedings, including with respect to satisfying obligations to service providers, suppliers, contractors and employees; the ability of the Company to continue as a going concern; the Company's future liquidity position, and access to capital, to fund ongoing operations and obligations; the ability of the Company to stabilize its business and financial condition; the ability of the Company to implement and successfully achieve its business priorities; the ability of the Company to comply with its contractual obligations, including, without limitation, its obligations under debt arrangements; the general regulatory environment in which the Company operates; the tax treatment of the Company and the materiality of any legal and regulatory proceedings; 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.*

*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)).*

**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.*

*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.*