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[Delphi Energy Corp.](#) (TSX:DEE) ("Delphi" or the "Company") is pleased to announce that the Company has executed a definitive agreement with our existing working interest industry partner (our "Partner"), in connection with the transaction summarized in the strategic letter of intent previously announced on November 8, 2016 (the "Transaction"). The Transaction will immediately accelerate the development of Delphi's world-class, liquids rich Deep Basin natural gas play at Bigstone in Northwest Alberta ("Bigstone Montney").

David J. Reid, Delphi President and CEO commented, "The Transaction effectively right-sizes Delphi's pace of capitalization allowing us to accelerate drilling activity and best capture the significant value of our Bigstone inventory for Delphi shareholders." Mr. Reid added, "The synergy of the combined infrastructure assets not only enhances overall operational efficiencies, but provides for long-term cost savings and other possible growth opportunities that will enhance value for both Delphi and our Partner."

Transaction Highlights

- **Joint Drilling Program.** Delphi as operator, with our Partner, will undertake a \$40 million (gross) joint drilling program to be completed before July 15, 2017, of which Delphi will contribute \$6 million while retaining a 65 percent working interest in approximately five to six wells to be drilled at Bigstone Montney. Our Partner will contribute \$20 million in capital, in addition to its 35 percent working interest share of \$14 million.
- **Cash.** Delphi will receive \$30 million in cash at closing for our Partner's equalization into certain working interests in various Bigstone Montney assets (the "Transaction Assets").

Transaction Assets

Pursuant to the Transaction, Delphi and our Partner will equalize our combined working interests in the Transaction Assets as such that our Partner will hold a 35 percent working interest in the Transaction Assets, which includes interests in partially developed and undeveloped lands (the "Transaction Lands"), and infrastructure.

Specifically, Delphi will transfer:

- Various working interests in its Transaction Lands to our Partner such that following closing, Delphi will hold 65 percent of the combined interests and the Partner will hold 35 percent of the combined interests, reducing Delphi's working interest in 138 sections of developed and undeveloped land from an average of 85 percent to approximately 65 percent, and;
- Approximately 450 barrels of oil equivalent ("boe") per day (approximately five percent of the Company's corporate productive capability). Delphi retains its original 92.7 percent average working interest in eight sections of fully developed lands representing approximately 95 percent of the Company's current production and proved producing reserves at Bigstone Montney, and;
- Total proved reserves of approximately 2.8 million boe (approximately twelve percent of Delphi's corporate proved reserves) with associated future development capital of \$24.1 million (before escalation) and total proved plus probable reserves of approximately 7.3 million boe (approximately 16 percent of Delphi's corporate proved plus probable reserves) with associated future development capital of \$59.3 million (before escalation) based on the year end 2015 reserve report prepared for Delphi by GLJ Petroleum Consultants Ltd. dated February 22, 2016 and effective December 31, 2015, and;
- A 35 percent working interest in the Company's 100 percent-owned sour processing infrastructure.

Delphi will retain operatorship of the Bigstone Montney capital program, production and facilities comprising the Transaction Assets.

Bigstone equalization of assets accelerates production growth

Delphi's pace of drilling is estimated to more than triple with 14 gross (9.1 net) wells to be drilled between December 2016 the end of 2017, compared to four gross (3.2 net) wells drilled over the first nine months of 2016. The Company expects to bring on production from a total of 16 gross (10.4 net) wells by the end of 2017. The Company is planning to drill up to eight gross wells this winter, with approximately five to six of these wells funded under the Transaction. Delphi's interest in the remaining wells will be largely funded within cash flow.

Completion operations at 16-9-60-23W5M ("16-9") are continuing and the Company's 14-21-60-23W5M ("14-21") well is finished

drilling with completion operations expected to commence in the next seven to ten days. 14-21 was drilled for a record low cost of approximately \$3.5 million. Delphi's primary drilling rig has moved and commenced drilling a well at 16-21-60-23W5M. A second rig has now arrived in the field at 15-8-60-23W5M and has also commenced drilling. The drilling and completion costs relating to these wells will be included in the carried portion of the joint drilling program that is part of the Transaction.

Over the past four years Delphi has invested approximately \$325 million to capture 138 gross Bigstone Montney sections, construct 65 million cubic feet per day of 100 percent owned infrastructure and de-risked the play economics with the drilling of 28 successful wells. Delphi will continue to be the largest landowner in the greater Bigstone Montney area.

Key Dates. Delphi expects the Transaction to be closed on, or about, December 22, 2016. The Transaction is subject to customary post-closing adjustments.

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.

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 petroleum and natural gas production estimates and weighting, projected crude oil and natural gas prices, future exchange rates, expectations as to royalty rates, expectations as to transportation and operating costs, expectations as to general and administrative costs and interest expense, expectations as to capital expenditures and net debt, planned capital spending, future liquidity and Delphi's ability to fund ongoing capital requirements through operating cash flows and its credit facilities, supply and demand fundamentals for oil and gas commodities, timing and success of development and exploitation activities, cash availability for the financing of capital expenditures, access to third-party infrastructure, treatment under governmental regulatory regimes and tax laws and future environmental regulations.

Furthermore, statements relating to "reserves" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitable in the future.

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: 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.

Financial outlook information contained in this release about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. Readers are cautioned that such financial outlook information contained in this release should not be used for purposes other than for which it is disclosed.

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).

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.

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.

For the calculation of finding, development and acquisition costs, recycle ratio and net asset value per share, refer to the Company's press release of crude oil and natural gas reserves information dated February 29, 2016.

Delphi Energy's crude oil, natural gas and natural gas liquid reserves information for the year ended December 31, 2015 was press released on February 29, 2016. Information relating to reserves and reserve metrics can be found in this press release.

Non-IFRS Measures. The release contains the terms "funds from operations", "funds from operations per share", "net debt", "net debt to funds from operations ratio", "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 and costs of production. 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 and subordinated debt, decommissioning expenditures and changes in non-cash working capital from operating activities. 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 and subordinated debt plus/minus working capital excluding the current portion of the fair value of financial instruments. Net debt is used by management to monitor remaining availability under its credit facilities. Net debt to funds from operations ratio is defined as net debt to annualized quarterly funds from operations, based on the most recently completed quarter. This ratio is used to calculate the Company's compliance with its net debt to funds from operations ratio covenant. 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.

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