

Delphi Energy Corp. Reports Third Quarter 2018 Results

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CALGARY, Nov. 13, 2018 - [Delphi Energy Corp.](#) ("Delphi" or the "Company") is pleased to announce its financial and operational results for the quarter ended September 30, 2018.

Third Quarter 2018 Highlights

- Achieved the Company's production guidance for the third quarter, producing 9,514 barrels of oil equivalent per day ("boe/d") compared to 9,313 boe/d in the comparative quarter of 2017, despite curtailment of approximately 800 boe/d due to unscheduled third party processing plant outages;
- Drilled four (2.60 net) wells, two (1.30 net) of which were brought on production on the last few days of the quarter;
- Field condensate production increased nine and 37 percent in the three and nine months ended September 30, 2018 compared to the same periods in 2017;
- Field condensate and natural gas liquids ("NGLs") accounted for 72 percent of crude oil and natural gas revenues and 37 percent of production;
- Realized a natural gas price, before risk management contracts and including marketing income, of \$3.06 per thousand cubic feet ("mcf") compared to an average AECO price of \$1.19 per mcf as a result of selling approximately 60 percent of our natural gas in Chicago, Illinois, via full-path transportation arrangements and generating marketing income from excess firm Alliance transportation;
- Marketing income generated from excess firm Alliance transportation service added \$1.48 per barrel of oil equivalent ("boe") to cash netback;
- Operating, transportation and general and administrative costs combined are \$3.2 million or 21 percent lower than in the second quarter of 2018, and \$3.0 million or 20 percent less than in the third quarter of 2017;
- Operating netback before risk management nearly doubled to \$23.01 per boe, up from \$11.52 per boe in the comparative quarter. Operating netback including risk management increased 36 percent over the comparative quarter to \$18.80 per boe;
- Cash netbacks per boe increased by 50 percent over the comparative quarter resulting in adjusted funds flow of \$11.6 million, a 53 percent increase over the third quarter of 2017;
- Delphi has WTI crude oil hedges for 2,950 barrels per day ("bbls/d") (approximately 85% of its liquids production) at C\$85.73 per barrel for 2019 and 500 bbls/d at C\$90.05 per barrel for 2020; and
- Subsequent to the quarter, Delphi reconfirmed the \$105 million borrowing base on its senior credit facility and issued an additional \$15 million of ten percent senior secured notes through a private placement. Delphi has significant financial liquidity having only \$55 million currently drawn on the senior credit facility.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three Months Ended September		
	2018	2017	% Change
Financial			
(\$ thousands, except per share)			
Crude oil and natural gas revenues	31,399	25,107	25
Net earnings (loss)	1,252	(4,010)	(131)
Per share – basic and diluted	0.01	(0.02)	(150)
Adjusted funds flow ⁽¹⁾	11,600	7,596	53
Per share – basic and diluted ⁽¹⁾	0.06	(0.04)	53
Net debt ⁽¹⁾	163,422	105,909	54
Capital expenditures, net of dispositions	19,317	22,529	(14)

Weighted average shares (000s)			
Basic	185,547	185,383	-
Diluted	185,547	185,383	-
Operating (boe conversion – 6:1 basis)			
Production			
Field condensate (bbls/d)	2,196	2,012	9
Natural gas liquids (bbls/d)	1,359	1,367	1
Natural gas (mcf/d)	35,751	35,603	-
Total (boe/d)	9,514	9,313	2
Average realized sales prices, before financial instruments and marketing income ⁽¹⁾			
Field condensate (\$/bbl)	79.65	51.08	56
Natural gas liquids (\$/bbl)	51.85	33.11	57
Natural gas (\$/mcf)	2.67	3.49	(23)
Netbacks (\$/boe)			
Crude oil and natural gas revenues	35.87	29.30	22
Marketing income ⁽¹⁾	1.48	-	-
Realized gain (loss) on financial instruments	(4.21)	) 2.31	(282)
Revenue, after realized financial instruments	33.14	31.61	5
Royalties	(2.36)	) (2.26)	) 4
Operating expense	(7.62)	) (8.19)	) (7
Transportation expense	(4.36)	) (7.33)	) (41
Operating netback ⁽¹⁾	18.80	13.83	36
General and administrative expenses	(1.65)	) (1.88)	) (12
Interest	(3.71)	) (3.09)	) 20
Settlement of unutilized take-or-pay contract	(0.19)	) -	-
Cash netback ⁽¹⁾	13.25	8.86	50

(1) Refer to non-GAAP measures

FINANCIAL HIGHLIGHTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

Delphi's continued success in the development of its liquids-rich Montney play, cost reduction initiatives and the Company's ability to generate marketing income through its excess firm transportation on the Alliance pipeline system have contributed to significant growth in the Company's adjusted funds flow of 53 percent and 67 percent for the three and nine months ended September 30, 2018 over the respective comparative periods in 2017. Delphi's operating netback before risk management in the third quarter was \$23.01 per boe while the corresponding cash netback was \$17.46 per boe, compared to \$11.52 per boe and \$6.55 per boe in the comparative period in 2017.

Delphi was active in the field drilling four (2.60 net) wells, two (1.30 net) of which were brought on production in the last few days of September. Although these wells had little impact on quarterly production of 9,514 boe/d, they will contribute to expected strong production results in the fourth quarter. Production volumes in the third quarter were negatively impacted by approximately 800 boe/d due to unscheduled third party processing plant outages.

Field condensate production was 2,196 bbls/d, accounting for 23 percent of production on a boe basis and 51 percent of crude oil and natural gas revenues. Total field condensate and natural gas liquids production accounted for 37 percent of production on a boe basis while contributing 72 percent of crude oil and natural gas revenues. In comparison, in the third quarter of 2017, total field condensate and natural gas liquids production accounted for 36 percent of production on a boe basis while contributing 54 percent of crude oil and natural gas revenues.

Operating, transportation and general and administrative costs combined are \$3.2 million or 21 percent lower

than in the the second quarter of 2018, and \$3.0 million or 20 percent less than in the third quarter of 2017. Lower operating and transportation costs are partially due to the commissioning of the amine facility and the corresponding shift of volumes onto the NGTL system.

Delphi shipped approximately 60 percent of its natural gas into the Chicago market and the remainder was sold in Alberta through the NGTL pipeline system. Delphi's realized natural gas price, before risk management and including marketing income, was \$3.06 per mcf, more than double the average AECO benchmark price of \$1.19 per mcf. While the shift of volumes from the Chicago market to the AECO market in the third quarter had the impact of reducing the average realized price of our natural gas, it was more than offset by savings in operating and transportation costs and increased marketing income generated from the additional excess Alliance firm transportation. The proportion of natural gas sold in the Chicago market is expected to return to 90 percent once the Alliance lateral pipeline to the Bigstone West gas plant is reactivated which is expected to occur in 2019.

Net debt which includes bank debt, working capital deficiency, senior secured notes, and the unused take-or-pay contract liability at the end of the quarter was \$163.4 million. Delphi has significant financial liquidity having only \$55 million currently drawn on its \$105 million senior credit facility.

NATURAL GAS MARKETING DELIVERING PREMIUM PRICING

Delphi has a total of 57 mmcf/d of firm and priority interruptible service on the Alliance pipeline system and 24 mmcf/d of firm service on the NGTL pipeline system. All of Delphi's natural gas hedges are focused on the more robust Chicago delivery point. Delphi continues to generate marketing income from the excess service it holds on Alliance through a combination of temporary assignment to other shippers at a premium over cost or through the purchase of natural gas in Alberta or British Columbia for sale in Chicago.

COMMODITY RISK MANAGEMENT PROGRAM STABILIZING REALIZED PRICES

The Company has continued its active forward-looking hedging strategy, locking in strong natural gas and WTI pricing into 2019 and 2020. The recent widening of condensate price differentials is generally viewed as a short term issue with differentials normalizing into the second half of 2019.

Delphi's realized prices for condensate and NGLs are well protected by WTI crude oil hedges, equal to approximately 85 percent of its liquids production, at an average price of C\$85.73 per bbl for calendar year 2019 compared to the current strip price of approximately C\$73.90 per bbl.

Commodity Hedges	Q4 2018	2019	2020
Natural gas (mmcf/d)	17.4	15.0	3.7
Average hedge price (C\$/mcf) ⁽²⁾	\$3.64	\$3.47	\$3.45
% of natural gas production hedged ⁽³⁾	46	39	10
Crude oil (bbl/d)	2,100	2,950	500
Average hedge price (C\$/bbl)	\$72.41	\$85.73	\$90.05
% of condensate and NGL production hedged ⁽³⁾	60	84	14
Propane (bbl/d)	-	400	100
Average hedge price (C\$/bbl)	-	\$42.82	\$41.40
% of propane production hedged ⁽³⁾	-	62	15

(1) Assumes an FX of 1.327 CAD per USD for the fourth quarter of 2018 and 1.28 CAD per USD for 2019 and 2020.

(2) Includes the impact of NYMEX HH natural gas – Chicago basis hedges.

(3) Based on 38 mmcf/d of natural gas production, 3,500 bbl/d of condensate and NGL production and 650 bbl/d of propane production.

WEST BIGSTONE OPERATIONS CONTINUE TO DELIVER SUPERIOR WELL RESULTS

The delineation success at West Bigstone combined with the anticipated benefits of multi-well pad

development are the fundamental drivers behind Delphi's decision to accelerate 2019 capital spending into the fourth quarter of 2018. While pad development extends the cycle time from spud to first production, the modest impact of the delay is significantly outweighed by the estimated well cost savings and productivity gains expected.

Delphi has finished drilling the first horizontal Montney well on its inaugural four-well pad at 02/15-10-60-24W5 ("02/15-10") in West Bigstone. Because of operational efficiencies gained through pad development, particularly through the completion of the wells, the Company has installed a hybrid completion liner at 02/15-10 allowing for 80 discrete fracs in the horizontal. Multi-well pad operations allow for a frac program of this scale as it would otherwise be cost prohibitive on a single well pad. The 80 stage completion will be almost 25 percent more stages than Delphi has pumped to date in a single well. The 16-10-60-24W5 ("16-10") well that came on production in May of 2018, and was a key success leading to pad development at West Bigstone, was completed with 65 stages. Through further frac design innovations and efficiencies inherent in pad operations, the planned 80 stage frac is expected to cost approximately 20 percent less than the 65 stage completion at 16-10. Over the first five months on production, 16-10 has produced 0.6 bcf of raw natural gas and 76,000 bbls of 49 degree API field condensate. The immediate offset to 16-10 at 00/15-10-60-24W5 ("00/15-10") that tested at similar field condensate rates to the 16-10, has recently been brought on production through the Company's 100 percent owned Negus processing facility.

OUTLOOK

Delphi projects that over a three-year period (2019 to 2021) in a scenario where capital spending equates to adjusted funds flow, production would increase by approximately 30 percent and net debt to trailing adjusted funds flow will be reduced to below 2.0 times. In this scenario, Delphi would expect to outspend adjusted funds flow in 2019 and underspend in 2020 and 2021, while drilling 37 wells. With a significant inventory of drilling locations on 128 undeveloped sections of land, Delphi has the potential to considerably increase production and adjusted funds flow from the Bigstone property. It is expected that the Company's adjusted funds flow growth will continue to outpace overall production growth, as a result of the increasing percentage of condensate and focus on cash cost reductions.

Condensate differentials, which historically have had low volatility, expanded along with differentials for Canadian heavy and light crude oils commencing in September. This was due to a number of factors including a longer than expected shutdown of the Strathcona refinery in Edmonton and seasonal refinery turnarounds in the U.S. Midwest resulting in the filling of storage in Edmonton and the apportionment of crude export pipelines, as well as feeder pipelines bringing crude and condensate to Edmonton. Apportionment of feeder pipelines bringing condensate to Edmonton will continue until storage levels are reduced to normal levels which is expected to take a number of months. While we anticipate that Delphi will be able to sell all its condensate production throughout the period of apportionment, the Company will be impacted by the higher condensate differentials, particularly as the apportioned volumes will be sold on the spot market where we expect higher differentials than for monthly sales. The fundamentals for condensate remain strong, with more than half of demand continuing to be met by higher cost condensate being imported by pipelines and rail. It is still the most under-supplied and highest value commodity Delphi and the industry produces.

Given the Company's reconfirmed borrowing base of its \$105 million senior secured credit facility with only \$55 million drawn and its significant in-the-money hedge position on both WTI and Chicago natural gas prices, Delphi remains well positioned to execute its planned capital program on its liquids-rich Montney asset at Bigstone while maintaining financial flexibility.

Delphi's guidance for production in the fourth quarter of 2018 remains unchanged with the transition to pad drilling. Net debt to adjusted funds flow is projected to increase during the drilling and completion of the four-well pad at West Bigstone but by the second quarter of 2019, as production volumes from the pad materialize, leverage metrics are expected to be reduced below current levels.

Delphi intends to release its 2019 drilling plans and guidance in the first quarter of 2019.

CONFERENCE CALL AND WEBCAST

A conference call and webcast to review 2018 third quarter results is scheduled for 9:00 a.m. Mountain Time

(11:00 a.m. Eastern Time) on Wednesday, November 14, 2018. The conference call number is 1-844-358-8760. A brief presentation by David J. Reid, President and CEO, and Mark Behrman, CFO will be followed by a question and answer period. The conference call will also be broadcast live on the internet and may be accessed through www.delphienergy.ca or by entering <https://edge.media-server.com/m6/p/nr5a8t7c> in your web browser.

A recorded rebroadcast will be archived and made available on the Company's website at www.delphienergy.ca or by entering <https://edge.media-server.com/m6/p/nr5a8t7c> in your web browser. Delphi's third quarter 2018 financial statements and management's discussion and analysis are available on the Company's website at www.delphienergy.ca and SEDAR at www.SEDAR.com.

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.

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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 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. "IP" is an abbreviation for "Initial Production" and represents average production rates over the indicated time period in producing days.

Non-GAAP Measures. The release contains the terms "adjusted funds flow", "adjusted funds flow per share", "net debt", "net debt to adjusted funds flow ratio", "marketing income", "operating netbacks", "cash netbacks", and "netbacks" which are not recognized measures under GAAP. 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 adjusted funds flow 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, abandonment obligations and to repay debt. Adjusted funds flow is a non-GAAP measure and has been defined by the Company as cash flow from operating activities before decommissioning expenditures and changes in non-cash working capital from operating activities. The Company also presents adjusted funds flow 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 adjusted funds flow 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 GAAP. The Company has defined net debt as the sum of bank debt, senior secured notes and the long term portion of unutilized take-or-pay contract plus/minus working capital deficit/surplus 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. Marketing income is defined as the margin earned on the sale of purchased third party natural gas volumes and premiums received on the assignment of a portion of committed capacity on the Alliance pipeline system to a third party. Management considers marketing income important measures of the Company's ability to mitigate the cost of excess committed capacity. Operating netbacks have been defined as revenue plus marketing income less royalties, transportation and operating costs. Cash netbacks have been defined as operating netbacks less interest on bank debt and senior secured notes, general and administrative costs and cash costs related to the Company's restricted share units. Netbacks are generally discussed and presented on a per boe basis.

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