

Extractive Sector Transparency Measures Act Report

Reporting Year From: 2016-01-01 To: 2016-12-31
Reporting Entity Name Kelt Exploration Ltd.
Reporting Entity ESTMA Identification Number E622697
Subsidiary Reporting Entities (if necessary) Kelt Exploration (LNG) Ltd. E647821

Attestation: Please check one of the the boxes below and provide the required information

Attestation (by Reporting Entity)

In accordance with the requirements of the ESTMA, and in particular section 9 thereof, I attest I have reviewed the information contained in the ESTMA report for the entity(ies) listed above. Based on my knowledge, and having exercised reasonable diligence, the information in the ESTMA report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Attestation (through independent audit)

In accordance with the requirements of the ESTMA, and in particular section 9 thereof, I attest that I engaged an independent auditor to undertake an audit of the ESTMA report for the entity(ies) and reporting year listed above. Such an audit was conducted in accordance with the Technical Reporting Specifications issued by Natural Resources Canada for independent attestation of ESTMA reports.

*The auditor expressed an unmodified opinion, dated [ENTER DATE: YYYY-MM-DD], on the ESTMA report for the entity(ies) and period listed above.
The independent auditor's report can be found at [INSERT WEBLINK TO AUDIT OPINION POSTED ONLINE - link should be on same page as report link]*

Director or Officer of Reporting Entity Full Name: Sadiq H. Lalani
Position Title: Vice President and Chief Financial Officer

Date: 2017-05-25

Extractive Sector Transparency Measures Act - Annual Report

Reporting Year
Reporting Entity Name *Kelt Exploration Ltd.*
Reporting Entity ESTMA Identification Number *E622697*
Subsidiary Reporting Entities (if necessary) *Kelt Exploration (LNG) Ltd. E647821*

From: 2016-01-01

To: 2016-12-31

Payments by Payee										
Country	Payee Name	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid to Payee	Notes
Canada	Government of Alberta	\$ -	\$ 11,630,000	\$ 1,670,000	\$ -	\$ 1,010,000	\$ -	\$ -	\$ 14,310,000	See Note 2(a). Payments relate primarily to Crown royalties, lease rentals, AER fees, and acquisitions of Crown leases.
Canada	Government of British Columbia	\$ 640,000	\$ 3,670,000	\$ 1,700,000	\$ -	\$ 4,770,000	\$ -	\$ -	\$ 10,780,000	See Note 2(b). Payments relate primarily to property taxes, Crown royalties, lease rentals, BC OGC fees, and acquisitions of Crown leases.
Canada	Receiver General for Canada	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 10,000	Licensing fee.
Canada	Clear Hills County	\$ 180,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 180,000	Property taxes.
Canada	Grande Prairie County	\$ 460,000	\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ 480,000	Property taxes, licensing and permits.
Canada	Leduc County	\$ 80,000	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 90,000	Property taxes, licensing and permits.
Canada	Saddle Hills County	\$ 1,410,000	\$ -	\$ 140,000	\$ -	\$ -	\$ -	\$ -	\$ 1,550,000	Property taxes, licensing and permits.
Canada	Yellowhead County	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000	Property taxes.
Canada	Municipal District of Fairview	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000	Property taxes.
Canada	Municipal District of Greenview	\$ 620,000	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 630,000	Property taxes, licensing and permits.
Canada	Municipal District of Northern Lights	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000	Property taxes.
Canada	City of Grande Prairie	\$ -	\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ 20,000	Licensing and permits.
Total		\$ 3,460,000	\$ 15,300,000	\$ 3,580,000	\$ -	\$ 5,780,000	\$ -	\$ -	\$ 28,120,000	

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From: 2016-01-01

To: 2016-12-31

Payments by Project										
Country	Project Name	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid by Project	Notes
Canada	British Columbia	\$ 640,000	\$ 3,670,000	\$ 1,700,000	\$ -	\$ 4,770,000	\$ -	\$ -	\$ 10,780,000	Property taxes, Crown royalties, various fees (primarily lease rentals, OGC fees, licenses/permits), and acquisitions of Crown leases.
Canada	Grande Cache	\$ 440,000	\$ 590,000	\$ 320,000	\$ -	\$ -	\$ -	\$ -	\$ 1,350,000	Property taxes, Crown royalties, and various fees (primarily lease rentals and AER fees).
Canada	Grande Prairie	\$ 2,120,000	\$ 10,430,000	\$ 1,380,000	\$ -	\$ 990,000	\$ -	\$ -	\$ 14,920,000	Property taxes, Crown royalties, various fees (primarily lease rentals, AER fees, licenses/permits), and acquisitions of Crown leases.
Canada	Karr	\$ 180,000	\$ 530,000	\$ 130,000	\$ -	\$ 20,000	\$ -	\$ -	\$ 860,000	Property taxes, Crown royalties, various fees (primarily lease rentals, AER fees, licenses/permits), and Crown lease acquisition.
Canada	Leduc-Woodbend	\$ 80,000	\$ 80,000	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 210,000	Property taxes, Crown royalties, and various fees (primarily lease rentals and AER fees).
Total		\$ 3,460,000	\$ 15,300,000	\$ 3,580,000	\$ -	\$ 5,780,000	\$ -	\$ -	\$ 28,120,000	

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NOTES

Note 1 - Reporting Framework

(a) Basis of presentation:

The Schedule of Payments by Payee and Schedule of Payments by Project (together, the "Schedules") prepared by Kelt Exploration Ltd. ("Kelt" or the "Company") for the year ended December 31, 2016 have been prepared in accordance with the reporting provisions in Section 9 of the *Extractive Sector Transparency Measures Act*, Section 2.3 of the *Extractive Sector Transparency Measures Act – Technical Reporting Specifications*, and Sections 3.1 to 3.6 of the *Extractive Sector Transparency Measures Act – Guidance* (collectively referenced herein as the "Reporting Framework").

The Schedules have been prepared to meet the Company's reporting obligations under ESTMA and as a result, the Schedules may not be suitable for other purposes.

(b) Significant reporting policies:

(i) Cash basis

The Schedules have been prepared using the cash basis of accounting, as required by the Reporting Framework, and therefore exclude accruals for amounts due to governments that were not paid during the reporting period.

(ii) Projects

The Company has aligned its projects for ESTMA reporting with its cash generating units ("CGUs") determined for financial reporting purposes in accordance with International Financial Reporting Standards ("IFRS"). The CGUs represent the Company's upstream exploration and production activities that are substantially interconnected operationally and/or geographically. As at December 31, 2016, the Company had one CGU for its assets located in the province of British Columbia and four CGUs for its assets located in the province of Alberta, namely Grande Cache, Grande Prairie, Karr, and Leduc-Woodbend.

(iii) Joint interest operations

A substantial portion of the Company's exploration, development and production activities are conducted through joint interest operations. Payments reported in the Schedules reflect the gross amounts paid directly by the Company in its capacity as operator, on its own behalf and/or on behalf of its partners. Amounts paid by third party operators in respect of the Company's non-operated interests are not included in reportable payments.

(iv) Payments in-kind

In-kind payments are converted to an equivalent cash value on a consistent basis with the valuation method used for financial reporting purposes under IFRS. In particular, certain royalties paid in-kind are valued based on the Alberta Crown share of crude oil volumes and the Company's realized sales price.

(v) Excluded payments

Certain payments made to government entities which are not directly related to the commercial development of oil and gas resources (for example, participation fees paid to securities commissions as a public reporting issuer) have been excluded, as required under the Reporting Framework.

Note 2 - Payee Detail

The Company has grouped together departments, ministries, trusts, boards, commissions, corporations, bodies or other authorities that perform or are established to perform a power, duty or function on behalf of the particular level of government. Details of the payees grouped in the Schedules are outlined below.

(a) Government of Alberta

Payments to the Government of Alberta include:

<u>Government Agency:</u>	<u>Nature of Payment(s):</u>
Alberta Boiler Safety Association	Safety permits and registration fees
Alberta Department of Energy	Crown royalties, land bonuses, mineral and surface lease rentals, fees
Alberta Energy Regulator ("AER")	AER administration fees, orphan well fund levies
Alberta Government Service Land Titles	Land title fees
Alberta Petroleum Marketing Commission ("APMC")	Crown crude oil royalties taken-in kind

(b) Government of British Columbia

Payments to the Government of British Columbia ("BC") include:

<u>Government Agency:</u>	<u>Nature of Payment(s):</u>
BC Oil and Gas Commission ("OGC")	Licences and permits
BC Safety Authority	Safety permits and registration fees
Ministry of Environment	Testing, discharge fees, permits
Ministry of Finance	Crown royalties, property taxes, OGC administration fees, orphan well levies
Ministry of Forests, Land and Natural Resource Operations	Surface lease rentals
Ministry of Natural Gas Development	Land bonuses, mineral lease rentals