PRESS RELEASE: For immediate dissemination

KELT ENTERS INTO AN AGREEMENT TO ACQUIRE STRATEGIC MONTNEY ASSETS IN ITS CORE AREA NEAR GRANDE PRAIRIE

CALGARY, Alberta, June 16, 2014 ("KEL" - TSX) – Kelt Exploration Ltd. ("Kelt" or the "Company") has entered into an agreement to acquire a private Canadian oil and gas company with crude oil and natural gas assets located at Valhalla/La Glace, adjacent to the Company's core producing areas at Pouce Coupe and Spirit River in west central Alberta. The acquisition is subject to standard industry closing conditions and closing is expected to occur on or around July 2, 2014.

The consideration to be paid by Kelt is $165.0 million, before closing adjustments, and will be financed by existing cash on hand and the issuance of 4.3 million common shares of Kelt to the shareholders of the private Canadian oil and gas company. Based on the five day volume weighted average price of Kelt shares that traded on the Toronto Stock Exchange from June 9th to 13th of $13.58, the value of the common share consideration is $58.0 million. The balance of $107.0 million will be paid in cash.

<u>Key Attributes of Assets to be Acquired</u>

■ Current net production is estimated to be approximately 2,300 BOE per day (70% oil and 30% gas) from Triassic horizons, primarily from the Montney formation and also including production from the Halfway and Charlie Lake formations.

■ At index pricing for crude oil of WTI US$95.00 per barrel and for natural gas at AECO $4.50 per GJ, operating netbacks are approximately $40.00 per BOE, providing approximately $33.6 million of annual operating income at current production levels.

■ Petroleum and natural gas reserves to be acquired have been evaluated internally by Kelt effective December 31, 2013:

→ Proved developed producing reserves were 3.4 million BOE, with $1.5 million in associated future development capital;

→ Total proved reserves were 6.2 million BOE, with $38.4 million in associated future development capital; and

→ Total proved plus probable reserves were 11.7 million BOE, with $60.7 million in associated future development capital.

■ Long-life reserves with a proved plus probable reserve life index of 14.0 years based on current production.

■ Infrastructure component with interests in major oil and gas facilities including the following:

→ 100% ownership interest in an oil battery, recently upgraded to handle 3,500 barrels of oil per day and 20.0 mmcf of gas per day; and

→ 100% ownership interests in gas compressors and oil and gas gathering pipelines.

■ The Valhalla/La Glace assets include an extensive land position that is a complementary fit geographically to Kelt's existing core areas at Pouce Coupe and Spirit River and are located approximately 18 miles south of Pouce Coupe/Spirit River and approximately 15 miles northwest of Grande Prairie. The acquisition includes 38,400 gross acres (60 gross sections) and 32,981 net acres (51.5 net sections) of land.

■ The Valhalla/La Glace assets will be operated from Kelt's established field office located in Grande Prairie, Alberta.

Acquisition Metrics

■ Based on current production and not adjusting for land and infrastructure value, production is being acquired for $71,700 per flowing BOE per day (70% oil and 30% gas).

■ Based on proved plus probable reserves and after taking into account future development capital costs, reserves are being acquired for $19.23 per BOE, giving the Company an acquisition recycle ratio of 2.1 times using commodity prices of US95.00 per barrel for WTI oil and $4.50 per GJ for AECO gas.

Future Upside Potential

The Company has identified 58 gross (56.0 net) horizontal drilling locations primarily targeting the Montney formation. This would entail in excess of $290.0 million gross ($280.0 million net) in future capital spending, adding to the Company's significant drilling inventory and opportunity for future growth in the years ahead.

The Montney drilling inventory located at Valhalla/La Glace is primarily on 100% working interest lands targeting crude oil with associated gas.

Revised 2014 Guidance

Upon closing and after giving effect to the Valhalla/La Glace acquisition, including the issuance of Kelt common shares, the Company has revised its 2014 guidance as follows:

	Previous Guidance	Revised Guidance	Percent Change
Average 2014 Production			
Oil (bbls/d)	2,575	3,285	28%
NGLs (bbls/d)	755	850	13%
Gas (mcf/d)	46,020	48,090	4%
Combined (BOE/d)	11,000	12,150	10%
WTI oil price (US$/bbl)	92.00	92.00	-
NYMEX natural gas price (US$/MMBTU)	4.60	4.60	-
AECO natural gas price ($/GJ)	4.55	4.55	-
Exchange rate (US$/CA$)	0.9174	0.9174	-
Funds from operations ($MM)	103.0	116.0	13%
Per share, diluted	0.85	0.94	11%
Capital expenditures, including acquisitions ($MM)	250.0	428.0	71%
Debt, net of working capital at year-end ($MM)	3.0	110.0	

The impact on average 2014 production relating to the acquisition is reflected from the anticipated closing date of July 2, 2014. Full year benefits of the acquired production will be recognized in 2015 and is reflected in the exit 2014 production rate shown in the table below.

Revised 2014 Exit Forecast

Upon closing and after giving effect to the Valhalla/La Glace acquisition, including the issuance of Kelt common shares, the Company has revised its 2014 exit production forecast as follows (annualized funds from operations is calculated using a forecasted WTI oil price of US$95.00 per barrel and an AECO gas price of $4.50 per GJ):

	Previous Forecast	Revised Forecast	Percent Change
EXIT 2014 Production			
Oil (bbls/d)	2,970	4,395	48%
NGLs (bbls/d)	1,025	1,210	18%
Gas (mcf/d)	54,030	58,170	8%
Combined (BOE/d)	13,000	15,300	18%
Annualized funds from operations ($MM)	132.0	161.5	22%
Per share, diluted	1.06	1.26	19%
Debt, net of working capital at year-end ($MM)	3.0	110.0	
Debt/funds from operations ratio	0.0 x	0.7 x	

Financial Position

After giving effect to the acquisition, including the issuance of Kelt common shares, Kelt estimates that it will have bank debt, net of working capital, of approximately $110.0 million at the end of 2014. Based on forecasted exit annualized funds from operations of $161.5 million, the Company would have a debt to funds from operations ratio of 0.7 times, giving the Company sufficient financial flexibility to carry out a growth oriented capital expenditure budget in 2015.

Prior to the Valhalla/La Glace acquisition, Kelt has an agreement with a syndicate of financial institutions for a committed term credit facility whereby the lenders approved a borrowing base of $170.0 million and a committed amount of $100.0 million. Upon closing and after giving effect to the acquisition, Kelt expects to increase the amount of its term credit facility.

About Kelt

Kelt is a Calgary, Alberta, Canada-based oil and gas company focused on exploration, development and production of crude oil and natural gas resources, primarily in west central Alberta and northeastern British Columbia.

Cautionary Statement and Advisory Regarding Forward-Looking Statements and Information

Certain information with respect to the Company contained herein, including expectations, beliefs, plans, goals, objectives, assumptions, information and statements about future events, conditions, results of operations, performance, Kelt's planned capital expenditure program, or management's assessment of future potential, contain forward-looking statements. In particular, forward-looking statements contained in this press release include, but are not limited to: the timing and completion of the acquisition of the Canadian private oil and gas company, the issuance of common shares, the impact on production, the quantification of potential future drilling locations and resulting impact on capital expenditures. These forward-looking statements are based on assumptions and are subject to numerous risks and uncertainties, certain of which are beyond the Company's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency exchange rate fluctuations, imprecision of reserve estimates, environmental risks, competition from other explorers, stock market volatility, and ability to access sufficient capital. We caution that the foregoing list of risks and uncertainties is not exhaustive.

Statements relating to "reserves" are deemed to be forward looking statements as they involve the implied assessment, based on current estimates and assumptions that the reserves can be profitably produced in the future.

Kelt's actual results, performance or achievement could differ materially from those expressed or implied by these forward-looking statements and, accordingly, no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur. As a result, undue reliance should not be placed on forward-looking statements.

In addition, the reader is cautioned that historical results are not necessarily indicative of future performance. The forward-looking statements contained herein are made as of the date hereof and the Company does not intend, and does not assume any obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise unless expressly required by applicable securities laws.

Certain information set out herein may be considered as “financial outlook” within the meaning of applicable securities laws. The purpose of this financial outlook is to provide readers with disclosure regarding Kelt’s reasonable expectations as to the anticipated results of its proposed business activities for the periods indicated. Readers are cautioned that the financial outlook may not be appropriate for other purposes.

Non-GAAP Measures

This press release contains certain financial measures, as described below, which do not have standardized meanings prescribed by GAAP. As these measures are commonly used in the oil and gas industry, the Company believes that their inclusion is useful to readers. The reader is cautioned that these amounts may not be directly comparable to measures for other companies where similar terminology is used. “Operating netback” is calculated by deducting royalties, production expenses and transportation expenses from oil and gas revenue. “Funds from operations” is calculated by adding back settlement of decommissioning obligations and change in non-cash operating working capital to cash provided by operating activities. Funds from operations per common share is calculated on a consistent basis with profit (loss) per common share, using basic and diluted weighted average common shares as determined in accordance with GAAP. Funds from operations and operating netbacks are used by Kelt as key measures of performance and are not intended to represent operating profits nor should they be viewed as an alternative to cash provided by operating activities, profit or other measures of financial performance calculated in accordance with GAAP.

Measurements and Abbreviations

All dollar amounts are referenced in thousands of Canadian dollars, except when noted otherwise. Where amounts are expressed on a barrel of oil equivalent (“BOE”) basis, natural gas volumes have been converted to oil equivalence at six thousand cubic feet per barrel and sulphur volumes have been converted to oil equivalence at 0.6 long tons per barrel. The term BOE may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet per barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. References to oil in this press release include crude oil and field condensate. References to natural gas liquids (“NGLs”) include pentane, butane, propane, and ethane. References to gas in this press release include natural gas and sulphur.

bbls	Barrels
mcf	thousand cubic feet
MMBTU	million British Thermal Units
AECO-C	Alberta Energy Company “C” Meter Station of the Nova Pipeline System

WTI	West Texas Intermediate
NYMEX	New York Mercantile Exchange

Additional Information

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