PRESS RELEASE
(Stock Symbol **"KEL"** – TSX)
May 10, 2017
Calgary, Alberta

KELT REPORTS FINANCIAL AND OPERATING RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2017

Kelt Exploration Ltd. ("Kelt" or the "Company") has released its financial and operating results for the three months ended March 31, 2017. The Company's financial results are summarized as follows:

FINANCIAL HIGHLIGHTS	Three months ended March 31		
(CA$ thousands, except as otherwise indicated)	**2017**	2016	%
Revenue, before royalties and financial instruments	**60,225**	40,398	49
Adjusted funds from operations [(1)]	**26,823**	5,951	351
Basic ($/ common share) [(1)]	**0.15**	0.04	275
Diluted ($/ common share) [(1)]	**0.15**	0.04	275
Loss and comprehensive loss	**(2,267)**	(25,918)	-91
Basic ($/ common share)	**(0.01)**	(0.15)	-93
Diluted ($/ common share)	**(0.01)**	(0.15)	-93
Total capital expenditures, net of dispositions	**(35,364)**	23,405	-251
Total assets	**1,193,644**	1,268,268	-6
Bank debt, net of working capital [(1)]	**75,765**	230,290	-67
Convertible debentures	**71,810**	-	-
Shareholders' equity	**842,351**	822,229	2
Weighted average shares outstanding (000s)			
Basic	**175,715**	168,824	4
Diluted	**176,782**	168,869	5

(1) Refer to advisories regarding non-GAAP financial measures and other key performance indicators.

FINANCIAL STATEMENTS

Kelt's unaudited condensed consolidated interim financial statements and related notes for the quarter ended March 31, 2017 will be available to the public on SEDAR at www.sedar.com and will also be posted on the Company's website at www.keltexploration.com on May 10, 2017.

Kelt's operating results for the first quarter ended March 31, 2017 are summarized as follows:

OPERATIONAL HIGHLIGHTS	Three months ended March 31		
(CA$ thousands, except as otherwise indicated)	**2017**	2016	%
Average daily production			
Oil (bbls/d)	**5,797**	5,873	-1
NGLs (bbls/d)	**2,358**	2,740	-14
Gas (mcf/d)	**72,295**	88,093	-18
Combined (BOE/d)	**20,204**	23,295	-13
Production per million common shares (BOE/d) (1)	**115**	138	-17
Average realized prices, before financial instruments			
Oil ($/bbl)	**60.21**	34.01	77
NGLs ($/bbl)	**27.79**	14.24	95
Gas ($/mcf)	**3.52**	2.33	51
Operating netbacks ($/BOE) (1)			
Petroleum and natural gas revenue	**33.12**	19.06	74
Realized gain on financial instruments	**0.01**	-	-
Average realized price, after financial instruments	**33.13**	19.06	74
Royalties	**(3.64)**	(1.35)	170
Production expense	**(9.61)**	(10.24)	-6
Transportation expense	**(3.25)**	(2.71)	20
Operating netback (1)	**16.63**	4.76	249
Undeveloped land			
Gross acres	**756,540**	642,122	18
Net acres	**636,637**	518,725	23

(1) Refer to advisories regarding non-GAAP financial measures and other key performance indicators.

MESSAGE TO SHAREHOLDERS

Average production for the three months ended March 31, 2017 was 20,204 BOE per day, up 2% compared to average production of 19,762 BOE per day during the fourth quarter of 2016. Daily average production in the first quarter of 2017 was 13% lower than average production of 23,295 BOE per day in the first quarter of 2016. Production during the first quarter of 2017 reflects the disposition of the majority of its oil and gas assets at Karr which included approximately 1,300 BOE per day of production. The Karr property disposition was completed on January 18, 2017. During the second half of 2016, Kelt only added 2.3 net wells of new production from its 2016 drilling program. However, the Company drilled five wells from an existing pad at Pouce Coupe in the fourth quarter of 2016, targeting the Montney D1 and D2 formations. These wells were completed in early 2017 and the results of initial production rates from these wells and two previous wells drilled from the same pad are included in the table below.

Kelt has recently moved to pad drilling as part of its future development plan for its vast corporate Montney acreage. The Company's first significant pad drilling program was carried out at Pouce Coupe, Alberta (pad located at 15-06-78-11W6) with the following results:

Well	Montney Formation	On-stream date	Horizontal lateral length (metres)	Number of fracture stages	Amount of proppant/ sand (tonnes)	Average sand per stage (tonnes)	Drill & complete cost (millions)	IP30 (BOE/d)	Oil & NGLs percent
02/08-18-078-11W6	D2	Dec-10-2015	2,170	46	2,300	50	$ 4.8	1,034	73%
00/08-18-078-11W6	D1	Sep-24-2016	2,202	37	1,450	39	$ 4.8	852	38%

04/07-18-078-11W6	D2	Mar-1-2017	2,170	46	2,300	50	$ 4.7	1,320	57%
02/06-18-078-11W6	D2	Mar-1-2017	2,187	46	3,115	67	$ 4.7	2,004	68%
05/07-18-078-11W6	D1	Mar-8-2017	2,168	46	3,120	68	$ 4.5	1,546	58%
00/01-09-078-11W6	D2	Mar-11-2017	3,244	46	2,370	52	$ 4.8	1,529	65%
03/07-18-078-11W6	D1	Mar-17-2017	2,164	45	2,250	50	$ 4.1	2,045	66%
Total 15-6 Pad			**16,305**	**312**	**16,905**	**54**	**$ 32.4**	**10,330**	**62%**

Kelt expects to realize significant improved capital efficiencies from pad drilling and expects to commence with a multi-well pad on its large Inga/Fireweed (British Columbia) Montney land acreage during the second half of 2017.

The Company is expecting production in the second quarter of 2017 to average approximately 22,700 to 23,000 BOE per day. Included in this forecast are the following planned outages that will negatively affect production during the second quarter of 2017:

(1) TCPL has published expected outages on the NGTL pipeline system upstream of the James River receipt area in June for approximately two weeks. Kelt has budgeted 85% of firm service capability during this period;

(2) Enbridge (Spectra) has published expected outages in BC at the McMahon Gas Plant which is expected to be down for plant turnaround operations for three weeks from June 5th to 26th. As a result of compression downtime on the Westcoast Energy pipeline system during the McMahon plant outage, Kelt expects partial outages at the West Stoddart Gas Plant where the majority of the Company’s gas is processed; and

(3) Wet weather conditions experienced in April during spring break-up at Pouce Coupe and Progress has limited the Company from producing at its full capability during the month.

Commodity prices continued to improve from 2016 levels and have shown significant gains in the first quarter of 2017 compared to the first quarter of 2016. Kelt’s realized average oil price during the first quarter of 2017 was $60.21 per barrel, up 77% from $34.01 per barrel in the first quarter of 2016. The realized average NGLs price during the first quarter of 2017 was $27.79 per barrel, up 95% from $14.24 per barrel in the corresponding quarter of 2016. Kelt’s realized average gas price for the first quarter of 2017 was $3.52 per MCF, up 51% from $2.33 per MCF in the first quarter of the previous year.

For the three months ended March 31, 2017, revenue was $60.2 million and adjusted funds from operations was $26.8 million ($0.15 per share, diluted), compared to $40.4 million and $6.0 million ($0.04 per share, diluted) respectively, in the first quarter of 2016. At March 31, 2017, bank debt, net of working capital was $75.8 million, down 67% from $230.3 million at March 31, 2016.

Capital expenditures incurred during the three months ended March 31, 2017, prior to dispositions, were $67.6 million. The Company spent $49.5 million (73%) on drilling and completion operations, $15.6 million (23%) on facilities, pipelines and equipment and $2.5 million (4%) on land and seismic. In addition, during the first quarter of 2017, Kelt completed the disposition of the majority of its oil and gas assets at Karr for cash proceeds of $103.0 million, improving the Company’s financial flexibility significantly.

Kelt continues to focus on long-term value creation by accumulating significant undeveloped land acreage on resource style plays, with a primary focus on Triassic Montney oil and liquids-rich gas plays. As at March 31, 2017, Kelt’s net working interest land holdings were 847,275 acres (1,324 sections) of which 417,386 net acres (652 sections) include Montney rights. This ranks Kelt in the top five for Montney land ownership amongst publicly traded oil and gas companies.

At Oak/Flatrock, British Columbia, where the Company owns 132,610 acres (207 sections) of lands with Montney rights, the Company has drilled and completed its first exploratory horizontal well located at 02/06-02-086-18W6. The well was completed using the ball drop completion method for hydraulic fracturing. The horizontal lateral of the well was approximately 2,500 metres and the well was completed using slick-water comprising 46 fracture stages. After flowing the frac-water back on a seven day clean-up, the Oak well tested gas and free condensate, with a final rate of 3.4 MMCF per day and approximately 74 barrels per day of 42˚ API field condensate. The well was shut-in after recovering approximately 19% of load frac water. The gas rate and casing pressure continued to build through the flow-back, with final flowing casing pressure recorded at 7,476 kPa. The gas composition at Oak is similar to the Company's gas at Inga where plant liquid recoveries are approximately 55 barrels per MMCF of raw gas. The Oak well currently remains shut-in due to wet spring break-up weather conditions. The Company plans to tie the well into nearby third-party infrastructure and expects to bring the well on production in late Q2 or early Q3 2017. The well will be produced at restricted rates limited by the third-party compression currently available. Kelt expects to follow-up with a second well at Oak to be drilled after spring break-up in 2017.

The Company also has 50,080 acres (78 sections) of lands with Montney rights at Pipestone/Wembley, Alberta where Kelt expects to drill its first horizontal exploratory well during the second quarter of 2017.

The Company's Board of Directors has agreed to increase the 2017 capital expenditure budget by $28.0 million. Kelt has changed its previously reported production and financial guidance for 2017 to reflect the increased capital spending, as set-out under the heading of *Outlook and Guidance* below. The Company is well positioned financially to execute its capital program during the remainder of 2017 and expects to enter 2018 with strong operational momentum.

OUTLOOK AND GUIDANCE

Kelt continues to be optimistic about the long-term outlook for oil and gas commodity prices. The cost to acquire land at Crown sales in the Company's core operating areas dropped significantly and service related costs to drill and complete wells also declined substantially. In order to capitalize on opportunities in the current energy business environment, Kelt was active at Crown land sales and has transitioned to development pad drilling in order to take advantage of lower oilfield related service costs.

Kelt's Board of Directors has approved the Company's increased 2017 capital expenditure budget of $173.0 million (previously $144.6 million), of which approximately 75% is expected to be incurred on drilling and completing wells. Approximately 40% of the total budget was incurred in the first quarter of 2017. A portion of the capital budget will be used for facilities, whereby Kelt expects to increase both compression and pipeline gathering capacity in its core producing areas to accommodate production additions. After giving effect to the proceeds of the Karr property disposition of $103.0 million, net capital spending in 2017 is expected to be approximately $70.0 million (previously $42.0 million).

Kelt expects to drill 31 gross (23.1 net) wells in 2017, however, the Company expects to complete 37 gross (29.1 net) wells in 2017, as there are 6 gross (6.0 net) drilled but un-completed wells from 2016.

The table below outlines Kelt's revised forecasted financial and operating guidance for 2017, as well as the change from the Company's previous guidance. Kelt has changed its previously reported production and financial guidance for 2017 to reflect the increased capital spending and commodity price forecasts for 2017 have been reduced from previous estimates.

Forecast for year ended December 31, 2017 *(CA$ millions, except as otherwise indicated)*	**Current Guidance**	Previous Guidance	Change %
Average Production			
Oil (bbls/d)	**7,400**	6,700	10%
NGLs (bbls/d)	**2,550**	2,500	2%
Gas (mmcf/d)	**81,300**	82,800	-2%
Combined (BOE/d)	**23,500**	23,000	2%
Production per million common shares (BOE/d) (1)	**134**	131	2%
Forecasted Average Commodity Prices			
WTI crude oil price (US$/bbl)	**51.00**	52.00	-2%
Canadian Light Sweet ($/bbl)	**64.17**	65.24	-2%
NYMEX natural gas price (US$/MMBtu)	**3.10**	3.05	2%

AECO natural gas price ($/GJ)	**2.70**	2.95	-8%
Forecasted Average Exchange Rate (US$/CA$)	**0.748**	0.749	0%
Capital Expenditures			
Drilling & completions	**129.0**	104.6	23%
Facilities, pipeline & well equipment	**35.0**	32.0	9%
Land & seismic (net of dispositions)	**(94.0)**	(94.6)	1%
Total capital expenditures, net of dispositions	**70.0**	42.0	67%
Adjusted funds from operations (1)	**130.0**	128.0	2%
Per common share, diluted (1)	**0.73**	0.73	0%
Bank debt, net of working capital, at year-end (1)(2)	**78.0**	52.0	50%
Net bank debt to trailing annual adjusted funds from operations ratio (1)	**0.6 x**	0.4 x	50%
Weighted average common shares outstanding (millions)	**175.8**	175.7	0%
Common shares issued and outstanding (millions)	**175.8**	175.7	0%

(1) Refer to advisories regarding non-GAAP financial measures and other key performance indicators.

(2) In addition to bank debt, the Company has $90.0 million principal amount of convertible debentures outstanding with a coupon of 5% per annum, maturing May 31, 2021.

The Company is forecasting WTI crude oil prices to average US$51.00 per barrel in 2017, up 18% from the average price of US$43.32 per barrel in 2016. AECO natural gas prices are forecasted to average $2.70 per GJ in 2017, up 32% from the average price of $2.05 per GJ in 2016.

Forecast average production of 23,500 BOE per day in 2017 represents a 12% increase from 2016 average production of 20,947 BOE per day and is estimated to be weighted 42% to oil and NGLs and 58% to gas (previous guidance of 23,000 BOE per day was expected to be weighted 40% to oil and NGLs and 60% to gas). However, based on the Company's revised forecasted commodity prices for 2017, 76% of forecasted operating income in 2017 is expected to be generated from oil and NGLs versus 24% from gas (previously 69% oil/NGLs and 31% gas). Kelt exited 2016 with approximately 20,000 BOE per day of production. Pad drilling production additions in 2017 from Inga/Fireweed in BC are anticipated to occur in the later part of 2017 and therefore are not fully reflected in the average production forecast for 2017. However, the Company expects 2017 exit production to be approximately 26,000 BOE per day, 30% higher than 2016 exit production.

After giving effect to the aforementioned revised capital expenditure budget, production estimates, commodity price assumptions, and estimated expenses: adjusted funds from operations for 2017 is forecasted to be approximately $130.0 million or $0.73 per share, diluted (previously $128.0 million and $0.73 per share, diluted); Kelt estimates that the Company's bank debt, net of working capital, will be approximately $78.0 million as at December 31, 2017 (previously $52.0 million); royalties are expected to average 12.1% of revenue in 2017 (previously 11.2%); during 2017, combined production and transportation expense is estimated to be $11.94 per BOE (previously $11.59 per BOE); G&A expense is estimated to be $0.93 per BOE (previously $0.91 per BOE); and interest expense is forecasted at $0.81 per BOE (previously $0.83 per BOE).

Changes in forecasted commodity prices and variances in production estimates can have a significant impact on estimated adjusted funds from operations and profit. Please refer to the advisories regarding forward-looking statements and to the cautionary statement below.

The information set out herein is "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 2017. Readers are cautioned that this financial outlook may not be appropriate for other purposes.

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words “expect”, “anticipate”, “continue”, “estimate”, “objective”, “ongoing”, “may”, “will”, “project”, “should”, “believe”, “plans”, “intends” and similar expressions are intended to identify forward-looking information or statements. In particular, this press release contains forward-looking statements pertaining to the following: the expectation that Kelt will realize significant improved capital efficiencies from pad drilling; the estimated impact of wet weather conditions and planned facility/pipeline downtime on forecast average production for the second quarter of 2017; the Company’s plans and ability to tie the Oak well into third-party infrastructure to bring the well on production in late Q2 or early Q3 2017; the drilling of a second well at Oak and the timing thereof; the drilling of an exploratory well at Pipestone/Wembley and the timing thereof; and the Company's expected future financial position and operating results, as well as the amount and timing of future development capital expenditures. Statements relating to "reserves" or “resources” are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future. Actual reserves may be greater than or less than the estimates provided herein.

Although Kelt believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Kelt cannot give any assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ 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 (e.g., 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 reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses; failure to obtain necessary regulatory approvals for planned operations; health, safety and environmental risks; uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures; volatility of commodity prices, currency exchange rate fluctuations; imprecision of reserve estimates; and competition from other explorers) as well as general economic conditions, stock market volatility; and the ability to access sufficient capital. We caution that the foregoing list of risks and uncertainties is not exhaustive.

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.

The Company cautions that flow test results are not necessarily indicative of long-term performance or recovery.

NON-GAAP FINANCIAL MEASURES AND OTHER KEY PERFORMANCE INDICATORS

This press release contains certain financial measures, as described below, which do not have standardized meanings prescribed by GAAP. In addition, this press release contains other key performance indicators (“KPI”), financial and non-financial, that do not have standardized meanings under the applicable securities legislation. As these non-GAAP financial measures and KPI are commonly used in the oil and gas industry, the Company believes that their inclusion is useful to investors. The reader is cautioned that these amounts may not be directly comparable to measures for other companies where similar terminology is used.

Non-GAAP financial measures

“Operating income” is calculated by deducting royalties, production expenses and transportation expenses from oil and gas revenue, after realized gains or losses on associated financial instruments. The Company refers to operating income expressed per unit of production as an “Operating netback”. “Adjusted funds from operations" is calculated as cash provided by operating activities before changes in non-cash operating working capital, and adding back (if applicable): transaction costs associated with acquisitions and dispositions, provisions for potential credit losses, and settlement of decommissioning obligations. Adjusted 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. Adjusted funds from operations and operating income or 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.

Throughout this press release, the term "net bank debt" is used synonymously with, and is equal to, "bank debt, net of working capital". "Net bank debt" is calculated by adding the working capital deficiency to bank debt. The working capital deficiency is equal to total current assets net of total current liabilities. The Company uses a "net bank debt to trailing adjusted funds from operations ratio" as a benchmark on which management monitors the Company's capital structure and short-term financing requirements. Management believes that this ratio, which is a non-GAAP financial measure, provides investors with information to understand the Company's liquidity risk.

Other KPI

"Production per common share" is calculated by dividing total production by the basic weighted average number of common shares outstanding, as determined in accordance with GAAP.

MEASUREMENTS

All dollar amounts are referenced in thousands of Canadian dollars, except when noted otherwise. This press release contains various references to the abbreviation BOE which means barrels of oil equivalent. Where amounts are expressed on a 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 and is significantly different than the value ratio based on the current price of crude oil and natural gas. This conversion factor is an industry accepted norm and is not based on either energy content or current prices. Such abbreviation may be misleading, particularly if used in isolation. References to "oil" in this press release include crude oil and field condensate. References to "natural gas liquids" or "NGLs" include pentane, butane, propane, and ethane. References to "liquids" include field condensate and NGLs. References to "gas" in this discussion include natural gas and sulphur.

ABBREVIATIONS

bbls	barrels
bbls/d	barrels per day
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
mmcf	million cubic feet
mmcf/d	million cubic feet per day
MMBTU	million British Thermal Units
GJ	gigajoule
BOE	barrel of oil equivalent
BOE/d	barrel of oil equivalent per day
NGLs	natural gas liquids

AECO	Alberta Energy Company "C" Meter Station of the Nova Pipeline System
WTI	West Texas Intermediate
NYMEX	New York Mercantile Exchange
API	American Petroleum Institute
IP 30	initial production from a well for the first 720 hours (30 days) based on operating/producing hours
US$	United States dollars
CA$	Canadian dollars
TSX	the Toronto Stock Exchange
KEL	trading symbol for Kelt Exploration Ltd. common shares on the TSX
KEL.DB	trading symbol for Kelt Exploration Ltd. 5% convertible debentures on the TSX
GAAP	Generally Accepted Accounting Principles
G&A	General and administrative expenses

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