PRESS RELEASE
(Stock Symbol **"KEL"** – TSX)
August 9, 2018
Calgary, Alberta

KELT REPORTS FINANCIAL AND OPERATING RESULTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

Kelt Exploration Ltd. ("Kelt" or the "Company") has released its financial and operating results for the three and six months ended June 30, 2018. The Company's financial results are summarized as follows:

FINANCIAL HIGHLIGHTS	Three months ended June 30			Six months ended June 30		
(CA$ thousands, except as otherwise indicated)	**2018**	2017	%	**2018**	2017	%
Petroleum and natural gas revenue, before royalties	**98,715**	60,072	64	**188,708**	120,297	57
Cash provided by operating activities	**39,183**	28,480	38	**92,846**	54,370	71
Adjusted funds from operations [(1)]	**47,099**	25,333	86	**92,823**	52,156	78
Basic ($/ common share) [(1)]	**0.26**	0.14	86	**0.51**	0.30	70
Diluted ($/ common share) [(1)]	**0.25**	0.14	79	**0.51**	0.29	76
Profit (loss) and comprehensive income (loss)	**1,702**	(4,869)	-135	**1,679**	(7,136)	-124
Basic ($/ common share)	**0.01**	(0.03)	-133	**0.01**	(0.04)	-125
Diluted ($/ common share)	**0.01**	(0.03)	-133	**0.01**	(0.04)	-125
Total capital expenditures, net of dispositions	**54,702**	31,630	73	**146,739**	(3,734)	-4030
Total assets	**1,346,701**	1,203,714	12	**1,346,701**	1,203,174	12
Bank debt, net of working capital [(1)]	**157,058**	80,618	95	**157,058**	80,618	95
Convertible debentures	**76,348**	72,685	5	**76,348**	72,685	5
Shareholders' equity	**882,916**	839,485	5	**882,916**	839,485	5
Weighted average shares outstanding (000s)						
Basic	**182,708**	175,894	4	**181,423**	175,805	3
Diluted	**184,825**	177,316	4	**183,210**	177,093	3

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

FINANCIAL STATEMENTS

Kelt's unaudited consolidated interim financial statements and related notes for the quarter ended June 30, 2018 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 August 9, 2018.

Kelt's operating results for the second quarter ended June 30, 2018 are summarized as follows:

OPERATIONAL HIGHLIGHTS	Three months ended June 30			Six months ended June 30		
(CA$ thousands, except as otherwise indicated)	**2018**	2017	%	**2018**	2017	%
Average daily production						
Oil (bbls/d)	**8,300**	5,929	40	**8,396**	5,863	43
NGLs (bbls/d)	**2,700**	1,967	37	**3,067**	2,162	42
Gas (mcf/d)	**90,723**	76,730	18	**90,498**	74,525	21
Combined (BOE/d)	**26,120**	20,684	26	**26,546**	20,446	30
Production per million common shares (BOE/d) (1)	143	118	21	146	116	26
Average realized prices, before financial instruments(1)						
Oil ($/bbl)	**80.56**	56.80	42	**74.33**	58.48	27
NGLs ($/bbl)	**38.67**	29.04	33	**34.15**	28.36	20
Gas ($/mcf)	**2.56**	3.47	-26	**2.87**	3.50	-18
Operating netbacks ($/BOE) (1)						
Petroleum and natural gas revenue	**41.54**	31.91	30	**39.28**	32.50	21
Cost of purchases	**(3.03)**	-	-	**(2.00)**	-	-
Average realized price, before financial instruments(1)	**38.51**	31.91	21	**37.28**	32.50	15
Realized gain (loss) on financial instruments	**-**	(0.21)	-	**-**	(0.10)	-
Average realized price, after financial instruments(1)	**38.51**	31.70	21	**37.28**	32.40	15
Royalties	**(3.97)**	(2.47)	61	**(3.35)**	(3.04)	10
Production expense	**(9.14)**	(10.27)	-11	**(9.30)**	(9.94)	-6
Transportation expense	**(3.83)**	(3.47)	10	**(3.61)**	(3.36)	7
Operating netback (1)	**21.57**	15.49	39	**21.02**	16.06	31
Undeveloped land						
Gross acres	**761,429**	777,550	-2	**761,429**	777,550	-2
Net acres	**644,986**	658,538	-2	**644,986**	658,538	-2

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

MESSAGE TO SHAREHOLDERS

Kelt reports its financial and operating results to shareholders for the second quarter ended June 30, 2018.

Average production for the three months ended June 30, 2018 was 26,120 BOE per day, up 26% compared to average production of 20,684 BOE per day during the second quarter of 2017. Quarter-over-quarter, daily average production in the second quarter of 2018 was 3% lower than average production of 26,978 BOE per day in the first quarter of 2018. Lower quarter-over-quarter production was primarily the result of major gas plant turnaround operations during the second quarter of 2018 at three of the main facilities that Kelt processes natural gas at, as previously announced by the Company in its press release dated July 5, 2018. Production for the three months ended June 30, 2018 was weighted 42% oil and NGLs and 58% gas. However, operating income was weighted 95% oil and NGLs and 5% gas.

Kelt's realized average oil price during the second quarter of 2018 was $80.56 per barrel, up 42% from $56.80 per barrel in the second quarter of 2017. The realized average NGLs price during the second quarter of 2018 was $38.67 per barrel, up 33% from $29.04 per barrel in the same quarter of 2017. Kelt's realized average gas price for the second quarter of 2017 was $2.56 per Mcf, down 26% from $3.47 per Mcf in the corresponding quarter of the previous year. Kelt benefits with premium natural gas price realizations compared to AECO as a result of its gas market diversification portfolio and high heat content gas. During the second quarter of 2018, the Company's realized average gas price was 117% higher than the average AECO 5A price of $1.18 per MMBtu.

For the three months ended June 30, 2018, revenue was $98.7 million and adjusted funds from operations was $47.1 million ($0.25 per share, diluted), compared to $60.1 million and $25.3 million ($0.14 per share, diluted) respectively, in the second quarter of 2017. Net capital expenditures incurred during the three months ended June 30, 2018 were $54.7 million, a large amount of which related to the moving and construction of Kelt's new facility infrastructure at Inga. During the second quarter of 2018, the Company spent $29.8 million on drill and complete operations, $24.3 million on equipment, facilities and pipelines and $0.6 million on land and seismic.

At June 30, 2018, bank debt, net of working capital was $157.1 million, utilizing 73% of the authorized borrowing amount available under the Company's credit facility of $215.0 million and representing 63% of the borrowing base amount of $250.0 million as determined by Kelt's syndicate of lenders.

At Wembley/Pipestone, after drilling the initial Upper-Middle Montney (D3/D4) discovery well located in the southwest corner of Kelt's 102 section (65,280 net acres) Wembley/ Pipestone Montney land block at 00/04-01-072-08W6 in 2017, the Company followed up with a five-well exploration/delineation program in the first half of 2018 that has produced successful results. Short-term test results for the two Upper-Middle Montney (D3/D4) delineation wells located on the western edge of Kelt's land block at 00/12-05-073-08W6 and 00/13-13-073-08W6 were previously provided in Kelt's press release dated July 5, 2018.

A third Upper-Middle Montney (D3/D4) delineation well located on the eastern edge of the Company's Wembley/Pipestone land block at 00/09-04-073-06W6 has now been tested. After flowing the frac fluid back on clean-up, the well, over the last seven days of the test, produced average sales volumes of approximately 919 BOE per day (83% oil/NGLs and 17% gas). The Company is very pleased to see a successful test located on the eastern edge of its land block as part of its de-risking efforts.

The fourth delineation well was drilled north of Wembley/Pipestone on the Company's Valhalla/La Glace land block where Kelt owns an additional 51 sections (32,800 net acres) of Montney rights. The Upper-Middle Montney (D3/D4) well, 00/01-35-074-09W6, was tied-in to the Sexsmith Gas Plant for an in-line production test. The well had an IP28 rate (estimated sales volumes) of 1,413 BOE per day (68% oil/NGLS and 32% gas).

The fifth delineation well was drilled on the northern part of the Company's Wembley/ Pipestone land block. This well, located at 00/03-04-074-07W6, was drilled in the Middle Montney (D2) layer on a seismic anomaly, similar to the producing wells that Kelt owns at Valhalla/La Glace. After flowing the frac fluid back on a nine day clean-up, the well, over the last seven days of the test, produced average sales volumes of approximately 598 BOE per day (73% oil/NGLs and 27% gas). The Company plans to drill an Upper-Middle Montney (D3/D4) well from this pad at a later date.

With the success of the delineation drilling at Wembley/ Pipestone, Kelt has increased and extended the take-or-pay commitment with Tidewater Midstream and Infrastructure Ltd. at the proposed Pipestone Montney sour gas plant. Kelt has increased its commitment by 5 MMcf per day for a total commitment of 30 MMcf per day with a five-year extension for a term of ten years.

At Inga/Fireweed, the Company completed three wells from a single pad targeting each of the Upper, IBZ and Middle Montney intervals and expects to put these wells on-stream by early September 2018.

At Pouce Coupe, the Company is currently drilling a five-well pad. The fifth well is expected to be drilled by mid-September and all five wells are expected to be completed by October 2018.

OUTLOOK AND GUIDANCE

As a result of the lower production during the second quarter, primarily due to the major gas plant turnaround operations, Kelt has reduced its 2018 average production estimate to a range of 28,000 to 29,000 BOE per day (previously 28,500 to 29,500 BOE per day). The table below summarizes Kelt's revised financial guidance for 2018:

	2018 Forecast	Previous Forecast	Change
Commodity Prices:			
WTI Crude Oil (USD/bbl)	67.50	65.00	+ 4%
NYMEX Natural Gas (USD/MMBtu)	2.90	2.90	N/C
DAWN Gas Daily Index (USD/MMBtu)	2.85	2.75	+ 4%
CHICAGO City Gate Gas Daily Index (USD/MMBtu)	2.80	2.70	+ 4%
MALIN Gas Monthly Index (USD/MMBtu)	2.35	2.35	N/C
SUMAS Gas Monthly Index (USD/MMBtu)	2.15	2.25	− 4%
AECO 5A Gas Daily Index (USD/MMBtu)	1.40	1.50	− 7%
Station 2 Gas NGX Daily Index (USD/MMBtu)	1.15	1.20	− 4%
Exchange Rate (USD/CAD)	0.776	0.787	− 1%
Capital expenditures, net of dispositions ($ MM)	275.0	275.0	N/C
Funds from operations ("FFO") ($ MM)	210.0	215.0	− 2%
Per common share, diluted ($)	1.14	1.17	− 3%
Net debt, at year-end ($ MM)	168.0	165.0	+ 2%
Net debt to trailing FFO ratio	0.8 x	0.8 x	N/C

Note: N/C – no change.

Kelt's 2018 capital expenditure program includes approximately $50 million of drilling and completion expenditures for wells that are not included in the 2018 production estimates as these well are expected to be brought on-stream in 2019:

(a) 4 wells at Wembley/Pipestone – drilled and completed in 2018 and expected to be brought on-stream in the second half of 2019 after construction of a proposed deep cut natural gas processing plant is completed; and
(b) 9 wells at Inga/Fireweed – drilled in 2018, to be completed in 2019, and expected to be brought on-stream in the first half of 2019.

These 13 wells plus an additional two wells from the Inga 6-well pad are expected to be drilled and completed in early 2019 put the Company on solid footing and provides Kelt with momentum for continued production growth in 2019.

The Company is well positioned financially to execute its capital program during the remainder of 2018 and expects to exit 2018 with a net debt/funds from operations ratio of 0.8 times.

Changes in forecasted commodity prices and variances in production estimates can have a significant impact on estimated 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 the calendar year 2018. 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”, “execute”, “ongoing”, “may”, “will”, “project”, “should”, “believe”, “plans”, “intends”, “forecasted” 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: Kelt’s expected price realizations and future commodity prices; expectations for operating costs, transportation expenses and royalties, the cost and timing of future capital expenditures and expected well results; anticipated production volumes; the expected timing of well completions in 2018 and 2019; and the Company's expected future financial position and operating results.

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, 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; 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.

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.

Any reference in this press release to IP rates is useful in confirming the presence of hydrocarbons. IP rates are not determinative of the rates at which wells will continue production and decline thereafter and are not necessarily indicative of long term performance. While encouraging, readers are cautioned not to place reliance on such rates in calculating aggregate production for the Company.

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 petroleum and natural gas revenue, net of the cost of purchases and 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.

The following table reconciles cash provided by operating activities to adjusted funds from operations:

	Three months ended June 30			Six months ended June 30		
(CA$ thousands, unless otherwise indicated)	**2018**	2017	%	**2018**	2017	%
Cash provided by operating activities	**39,183**	28,480	38	**92,846**	54,370	71
Change in non-cash working capital	**7,740**	(3,313)	-334	**(786)**	(3,041)	-74
Funds from operations	**46,923**	25,167	86	**92,060**	51,329	79
Settlement of decommissioning obligations	**176**	166	6	**763**	827	-8
Adjusted funds from operations	**47,099**	25,333	86	**92,823**	52,156	78

Throughout this press release, reference is made to “total revenue”, “Kelt Revenue” and “average realized prices”. “Total revenue” refers to petroleum and natural gas revenue (before royalties) as reported in the consolidated financial statements in accordance with GAAP, and is before realized gains or losses on financial instruments. "Kelt Revenue" is a non-GAAP measure and is calculated by deducting the cost of purchases from petroleum and natural gas revenue (before royalties). “Average realized prices” are calculated based on “Kelt Revenue” divided by production and reflect the Company's realized selling prices plus the net benefit of oil blending/marketing activities, which commenced during the fourth quarter of 2017. In addition to using its own production, the Company may purchase butane and crude oil from third parties for use in its blending operations, with the objective of selling the blended oil product at a premium. Marketing revenue from the sale of third party volumes is included in total petroleum and natural gas revenue as reported in the Consolidated Statement of Profit (Loss) and Comprehensive Income (Loss) in accordance with GAAP. Given the Company’s per unit operating statistics disclosed throughout this press release are calculated based on Kelt’s production volumes, management believes that disclosing its average realized prices based on Kelt Revenue is more appropriate and useful, because the cost of third party volumes purchased to generate the incremental marketing revenue has been deducted.

“Average realized prices” referenced throughout this press release are before financial instruments, except as otherwise indicated as being after financial instruments.

The term “net debt” is used synonymously with, and is equal to, “bank debt, net of working capital”. “Net 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 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. The “net debt to trailing adjusted funds from operations ratio” is also indicative of the “debt to cash flow” calculation used to determine the applicable margin for a quarter under the Company’s Credit Facility agreement (though the calculation may not always be a precise match, it is representative).

“Production per million common shares” is calculated by dividing total production by the basic weighted average number of common shares outstanding rounded to millions, 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
tcf	trillion cubic feet
MMBTU	million British Thermal Units
GJ	gigajoule
BOE	barrel of oil equivalent
BOE/d	barrel of oil equivalent per day
NGLs	natural gas liquids
LNG	liquefied natural gas
AECO	Alberta Energy Company "C" Meter Station of the NOVA Pipeline System
NIT	NOVA Inventory Transfer ("AB-NIT"), being the reference price at the AECO Hub
WTI	West Texas Intermediate
NYMEX	New York Mercantile Exchange
Station 2	Spectra Energy receipt location
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
CDE	Canadian Development Expenses, as defined by the *Income Tax Act* (Canada)
CEE	Canadian Exploration Expenses, as defined by the *Income Tax Act* (Canada)
GAAP	Generally Accepted Accounting Principles

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