PRESS RELEASE
(Stock Symbol **"KEL"** – TSX)
August 6, 2020
Calgary, Alberta

KELT REPORTS FINANCIAL AND OPERATING RESULTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020

Kelt Exploration Ltd. ("Kelt" or the "Company") reports its financial and operating results to shareholders for the three and six months ended June 30, 2020.

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)	**2020**	2019	%	**2020**	2019	%
Petroleum and natural gas sales	**45,454**	100,734	-55	**116,373**	203,319	-43
Cash provided by operating activities	**14,429**	58,639	-75	**64,601**	112,452	-43
Adjusted funds from operations (1)	**11,712**	45,234	-74	**39,072**	96,693	-60
Basic ($/ common share) (1)	**0.06**	0.25	-76	**0.21**	0.53	-60
Diluted ($/ common share) (1)	**0.06**	0.25	-76	**0.21**	0.52	-60
Profit (loss) and comprehensive income (loss)	**(252,661)**	2,740	-9321	**(326,746)**	12,109	-2798
Basic ($/ common share)	**(1.35)**	0.01	-13600	**(1.74)**	0.07	-2586
Diluted ($/ common share)	**(1.35)**	0.01	-13600	**(1.74)**	0.07	-2586
Total capital expenditures, net of dispositions	**27,768**	91,022	-69	**118,894**	198,984	-40
Total assets	**1,295,965**	1,577,824	-18	**1,295,965**	1,577,824	-18
Bank debt	**320,300**	250,993	28	**320,300**	250,993	28
Convertible debentures	**85,181**	80,512	6	**85,191**	80,512	6
Shareholders' equity	**599,399**	909,373	-34	**599,399**	909,373	-34
Weighted average shares outstanding (000s)						
Basic	**187,794**	184,151	2	**187,845**	184,085	2
Diluted	**187,848**	184,532	2	**188,630**	184,513	2

(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, 2020 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 6, 2020.

Kelt's operating results for the second quarter ended June 30, 2020 are summarized as follows:

OPERATIONAL HIGHLIGHTS	Three months ended June 30			Six months ended June 30		
(CA$ thousands, except as otherwise indicated)	**2020**	2019	%	**2020**	2019	%
Average daily production						
Oil (bbls/d)	**8,824**	9,727	-9	**9,254**	8,772	5
NGLs (bbls/d)	**5,066**	4,679	8	**4,825**	4,293	12
Gas (mcf/d)	**98,853**	95,450	4	**99,045**	93,779	6
Combined (BOE/d)	**30,366**	30,314	-	**30,587**	28,695	7
Production per million common shares (BOE/d) (1)	**162**	165	-2	**163**	156	4
Average realized prices, before financial instruments(1)						
Oil ($/bbl)	**26.37**	72.17	-63	**36.43**	69.95	-48
NGLs ($/bbl)	**10.53**	20.28	-48	**12.35**	22.51	-45
Gas ($/mcf)	**2.04**	2.75	-26	**2.20**	3.95	-44
Operating netbacks ($/BOE) (1)						
Petroleum and natural gas sales	**16.45**	36.52	-55	**20.90**	39.14	-47
Cost of purchases	**(0.40)**	(1.56)	-74	**(0.83)**	(1.52)	-45
Average realized price, before financial instruments(1)	**16.05**	34.96	-54	**20.07**	37.62	-47
Realized gain (loss) on financial instruments	**4.62**	0.05	9140	**3.60**	(0.13)	-2869
Average realized price, after financial instruments(1)	**20.67**	35.01	-41	**23.67**	37.49	-37
Royalties	**(0.84)**	(2.25)	-63	**(0.93)**	(2.14)	-57
Production expense	**(9.62)**	(8.73)	10	**(10.24)**	(9.39)	9
Transportation expense	**(3.65)**	(5.53)	-34	**(3.57)**	(5.17)	-31
Operating netback (1)	**6.56**	18.50	-65	**8.93**	20.79	-57
Total landholdings						
Gross acres	**1,043,152**	1,052,295	-1	**1,043,152**	1,052,295	-1
Net acres	**811,865**	818,283	-1	**811,865**	818,283	-1

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

MESSAGE TO SHAREHOLDERS

Kelt Exploration Ltd. ("Kelt" or the "Company") reports its financial and operating results to shareholders for the second quarter ended June 30, 2020.

Kelt continues to monitor current market conditions resulting from the COVID-19 pandemic. The Company's highest priority remains the health and safety of its employees, partners and the communities where it operates. Kelt continues to maintain measures that have been put in place to protect the well-being of these stakeholders and is proud of the dedication of its workforce to maintain safe operations and business continuity in a challenging environment.

Average production for the three months ended June 30, 2020 was 30,366 BOE per day, relatively unchanged compared to average production of 30,314 BOE per day during the second quarter of 2019. Production for the three months ended June 30, 2020 was weighted 46% oil and NGLs and 54% gas.

Kelt's realized average oil price during the second quarter of 2020 was $26.37 per barrel, down 63% from $72.17 per barrel in the second quarter of 2019. The significant decrease in realized oil prices were primarily related to the unprecedented decline in global oil demand resulting from the COVID-19 pandemic, despite the efforts of global oil producers to reduce supply by curtailing portions of their oil production. The realized average NGLs price during the second quarter of 2020 was $10.53 per barrel, down 48% from $20.28 per barrel in the same quarter of 2019. The decrease in realized NGL prices corresponded with the much weaker Edmonton benchmark prices for pentane and butane during the second quarter of 2020.

Kelt's realized average gas price for the second quarter of 2020 was $2.04 per Mcf, down 26% from $2.75 per Mcf in the corresponding quarter of the previous year. As producers in Canada and the United States shut in certain oil and gas wells during the COVID-19 pandemic, North American gas supply was reduced considerably. However, the pandemic also resulted in global gas demand destruction which in turn negatively impacted North American LNG exports. As a result, natural gas prices dropped significantly in most North American gas hubs as gas storage levels were running significantly ahead of historical levels.

For the three months ended June 30, 2020, revenue was $45.5 million and adjusted funds from operations was $11.7 million ($0.06 per share, diluted), compared to $100.7 million and $45.2 million ($0.25 per share, diluted) respectively, in the second quarter of 2019.

Net capital expenditures incurred during the three months ended June 30, 2020 were $27.8 million, down 69% from $91.0 million in capital expenditures during the second quarter of 2019. The majority of the capital expenditures during the second quarter of 2020 was incurred on facilities and pipelines for projects that were initiated in late 2019 and early 2020.

At June 30, 2020, the Company's bank debt outstanding (before working capital) was $320.3 million. Kelt and its syndicate of lenders agreed to extend the revolving period applicable to the Company's existing $350.0 million revolving credit facility to August 31, 2020.

On July 22, 2020, Kelt announced that it had entered into an agreement to sell its Inga/Fireweed/Stoddart assets ("Inga Assets") in British Columbia that are held by its wholly owned subsidiary, Kelt Exploration (LNG) Ltd. ("Kelt LNG"), to ConocoPhillips (the "Purchaser"). Kelt will receive cash proceeds of $510.0 million, prior to closing adjustments, and the Purchaser will assume certain specific financial obligations related to the Inga Assets in the amount of approximately $41.0 million. The effective date for the transaction is July 1, 2020. Completion of the transaction is subject to customary closing conditions and is expected to occur on or around August 21, 2020.

Kelt, pro-forma the completion of the sale of its Inga Assets, will be in a position of financial strength, with no debt, positive working capital and a large Montney land acreage position (374,528 net acres or 585 net sections) to grow the Company's remaining production base as commodity prices improve. In addition to its three remaining Montney play areas at Wembley/Pipestone, Pouce Coupe/Progress and Oak/Flatrock, the Company will also be in a position to develop its Charlie Lake play (74,719 net acres or 117 net sections) in Alberta.

Average production for the second quarter of 2020, excluding production related to the Inga Assets, was 15,937 BOE per day (38% oil and NGLs and 62% gas). The Company, excluding wells related to the Inga Assets, currently has an estimated 7,500 to 8,500 BOE per day of production behind pipe associated with 11 wells that have been drilled and are awaiting tie-in as follows:

- (i) Wembley (sfc 12-5) 00/09-04-073-06W6 – drilled, completed & tested;
- (ii) Wembley (sfc 10-28) 00/03-04-074-07W6 – drilled, completed & tested;
- (iii) Wembley (sfc 02/14-2) 00/13-13-073-08W6 – drilled, completed & tested;
- (iv) Wembley (sfc 16-26) 00/13-13-072-07W6 – drilled, completed & tested;
- (v) Wembley (sfc 03/16-8) 02/16-10-72-7W6 – drilled (DUC);
- (vi) Oak (sfc 5-31) 00/13-05-087-18W6 – drilled, completed & tested;
- (vii) Oak (sfc A5-31) 00/16-06-087-18W6 – drilled, completed & tested;
- (viii) Oak (sfc 5-33) 00/01-09-087-18W6 – drilled (DUC);
- (ix) Oak (sfc A5-33) 00/04-10-087-18W6 – drilled (DUC);
- (x) Oak (sfc A13-12) 00/16-23-087-18W6 – drilled (DUC); and
- (xi) Oak (sfc B13-12) 00/14-24-087-18W6 – drilled (DUC).

Kelt will continue to reassess its ability to reasonably estimate and provide financial guidance during this period of heightened commodity price volatility and economic uncertainty. Management looks forward to updating shareholders with 2020 third quarter results on or about November 10, 2020.

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 2020. 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, the expected timing of wells bring brought on-production, the expected timing of facility expenditures, the expected timing of facility start-up dates, the expected timing of production additions from capital expenditures; 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 sales, 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, annualized quarterly adjusted funds from operations and operating income or netbacks are non-GAAP measures used by management to measure operating performance. Adjusted funds from operations, annualized quarterly adjusted funds from operations, and operating income or netbacks are non-GAAP measures used by management as a key measure to assess the ability of the Company to fund operating activities, capital expenditures and the repayment of debt however; it is not intended to 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 reported in accordance with GAAP to *Adjusted funds from operations*:

	Three months ended June 30			Six months ended June 30		
(CA$ thousands, except as otherwise indicated)	**2020**	2019	%	**2020**	2019	%
Cash provided by operating activities	**14,429**	58,639	-75	**64,601**	112,452	-43
Change in non-cash working capital	**(3,287)**	(14,033)	-77	**(26,203)**	(17,483)	50
Funds from operations	**11,142**	44,606	-75	**38,398**	94,969	-60
Settlement of decommissioning obligations	**570**	628	-9	**674**	1,724	-61
Adjusted funds from operations	**11,712**	45,234	-74	**39,072**	96,693	-60

Throughout this press release, reference is made to “total revenue”, “Kelt Revenue” and “average realized prices”. “Total revenue” refers to petroleum and natural gas sales (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 sales (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. 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 sales 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 MD&A 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.

“Net bank debt” is equal to “bank debt, net of working capital. Working capital excludes current bank debt, current convertible debentures, and assets and liabilities held for sale. “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 annualized quarterly adjusted funds from operations ratio” and a as a benchmark on which management monitors the Company’s capital structure and short-term financing requirements. Management believes that this ratio, as well as the Company’s “net bank debt” which are all non-GAAP financial measures, provides investors with information to understand the Company’s liquidity risk. The “net bank debt to annualized quarterly adjusted funds from operations ratio” is also indicative of the “debt to EBITDA” 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).

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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