



**PRESS RELEASE: for immediate dissemination**

(Stock Symbol: "KEL" – TSX)

January 20, 2015

Calgary, Alberta

**KELT PROVIDES 2014 PRODUCTION RESULTS AND UPDATES 2014 AND 2015 FINANCIAL AND OPERATING GUIDANCE**

**CALGARY, Alberta, January 20, 2015 (KEL-T)** – Kelt Exploration Ltd. ("Kelt" or the "Company") has released its 2014 production results and has updated its 2014 and 2015 financial and operating guidance. The Company expects to release a summary of its December 31, 2014 engineering reserve evaluation on February 10, 2015 and its audited year-end financial results on March 10, 2015.

The oil and gas industry around the world is currently facing a challenging environment after the recent precipitous decline in global crude oil prices. Due to market instability and volatile commodity prices, many oil and gas companies are reducing their 2015 capital spending plans. Ultimately, lower capital investment in oil and gas drilling can be expected to balance the supply and demand ratio. Kelt believes that the current business environment creates opportunities to add value at a reasonable cost. As a result, the Company has adjusted its 2015 capital spending program in order to create further financial flexibility to take advantage of opportunities as they arise. Kelt continues to remain optimistic about the long-term outlook for oil and gas producers.

2014 Highlights:

- 2014 average daily production was approximately 12,700 BOE per day, compared to previous guidance of 12,600 BOE per day;
- Fourth quarter 2014 average daily production was approximately 15,300 BOE per day and based on field estimates, average daily production for the month of December 2014 exceeded 16,500 BOE per day;
- Capital expenditures in 2014 are estimated to be approximately \$426 million, compared to previous guidance of \$428 million. Included in the 2014 estimated capital expenditures is a \$10.6 million "tuck-in" acquisition of land, facilities and production of approximately 450 BOE per day, completed in late December 2014 in the Company's Inga/Fireweed core area;
- Bank debt, net of working capital as at December 31, 2014 is estimated to be approximately \$108 million, compared to previous guidance of \$111 million; and
- Kelt's current credit facility allows for borrowings of \$235 million, leaving the Company with significant unused bank lines as at December 31, 2014.

## 2015 Guidance:

- Capital expenditures for 2015 have been reduced to \$152 million from the Company's previous budget of \$215 million;
- Commodity price forecasts for 2015 have also been reduced:
  - WTI crude oil is estimated to average US\$59.50 per barrel, down 25% from our previous estimate of US\$79.50 per barrel;
  - AECO natural gas is estimated to average \$3.10 per GJ, down 10% from our previous estimate of \$3.45 per GJ;
- Despite a 29% reduction in forecasted capital expenditures, estimated average daily production for 2015 has been lowered by only 3% to 16,600 BOE per day compared to previous guidance of 17,200 BOE per day; and
- Bank debt, net of working capital as at December 31, 2015 is forecasted to be approximately \$172 million, compared to previous guidance of \$190 million.

Updated 2015 financial and operating guidance with comparisons to the Company's 2014 forecast is summarized in the following table:

	2014 Forecast	2015 Guidance	Percent Change
Average Production			
Oil (bbls/d)	3,400	5,050	49%
NGLs (bbls/d)	910	1,330	46%
Gas (mmcf/d)	50.34	61.32	22%
<b>Combined (BOE/d)</b>	<b>12,700</b>	<b>16,600</b>	<b>31%</b>
<b>Production per million common shares (BOE/d)</b>	<b>104</b>	<b>131</b>	<b>26%</b>
Oil / NGLs / Gas production weighting	27%/7%/ 66%	30%/ 8%/62%	
Forecasted Average Commodity Prices			
WTI oil price (USD/bbl)	92.92	59.50	- 36%
Equivalent CAD WTI oil price (\$/bbl)	102.66	69.62	- 32%
NYMEX natural gas price (USD/MMBTU)	4.37	3.25	- 26%
AECO natural gas price (\$/GJ)	4.25	3.10	- 27%
Exchange rate (CAD/USD)	1.105	1.170	+ 6%
Realized Kelt prices, before financial instruments			
Kelt oil price (\$/bbl)	86.61	60.29	- 30%
Kelt NGLs price (\$/bbl)	60.66	38.71	- 36%
Kelt gas price (\$/mcf)	4.78	3.54	- 26%
Kelt combined price (\$/BOE)	46.50	34.52	- 26%

	2014 Forecast	2015 Guidance	Percent Change
Capital Expenditures (\$MM)			
Drilling & completions	188.0	90.0	- 52%
Facilities, pipeline & well equipment	48.0	30.0	- 38%
Land, seismic & property "tuck-in" acquisitions	30.0	32.0	+ 7%
Major acquisitions, net of dispositions	160.0	-	-
<b>Total Capital Expenditures</b>	<b>426.0</b>	<b>152.0</b>	<b>- 64%</b>
Funds from operations (\$MM)	114.9	88.0	- 23%
<b>Per share, diluted</b>	<b>0.92</b>	<b>0.68</b>	<b>- 26%</b>
Bank debt, net of working capital, at year-end (\$MM)	108.0	172.0	+ 59%
Debt/Trailing funds from operations ratio *	0.94 x	1.95 x	
Weighted average common shares outstanding (MM)	121.8	126.9	+ 4%
Common shares issued & outstanding (MM)	126.9	126.9	-

\* Debt/Trailing funds from operations ratio is calculated using bank debt, net of working capital, at December 31<sup>st</sup> of the year divided by estimated funds from operations for that year.

Certain 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 2014 and 2015. Readers are cautioned that this financial outlook may not be appropriate for other purposes. 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 cautionary statement on forward-looking statements and information set out below.

## 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 on Forward-Looking Statements and Information

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 concerning the Company's expected future financial position and operating results and its planned 2015 capital expenditures budget.

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.

### **Non-GAAP Measures**

This document 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 investors. The reader is cautioned that these amounts may not be directly comparable to measures for other companies where similar terminology is used.

“Operating income” is calculated by deducting royalties, production expenses and transportation expenses from oil and gas revenue, after realized gains or losses on financial instruments. The Company refers to operating income expressed per unit of production as an “Operating netback”. “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 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. “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. 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 discussion include crude oil and field condensate.

References to natural gas liquids (“NGLs”) include, pentane, butane, propane, and ethane. References to gas in this discussion include natural gas and sulphur.

## Abbreviations

M	thousand
MM	million
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
USD	United States dollars
CAD	Canadian dollars
\$	Canadian dollars
TSX	the Toronto Stock Exchange
KEL-T	trading symbol for Kelt Exploration Ltd. on the Toronto Stock Exchange
RSUs	restricted share units
WI	working interest
GAAP	Generally Accepted Accounting Principles

For further information, please contact:

**Kelt Exploration Ltd.**, Suite 300, 311 – 6<sup>th</sup> Avenue SW, Calgary, Alberta, Canada T2P 3H2

**David J. Wilson**, President and Chief Executive Officer (403) 201-5340, or

**Sadiq H. Lalani**, Vice President, Finance and Chief Financial Officer (403) 215-5310.

Or visit our website at [www.keltexploration.com](http://www.keltexploration.com).