THIRD QUARTER REPORT

AS AT AND FOR THE THREE AND NINE MONTHS ENDED

SEPTEMBER 30, 2024

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FINANCIAL AND OPERATIONAL HIGHLIGHTS	Three months ended September 30			Nine months ended September 30		
(CA$ thousands, except as otherwise indicated)	**2024**	2023	%	**2024**	2023	%
FINANCIAL						
Petroleum and natural gas sales	**107,884**	116,948	-8	**343,368**	366,580	-6
Cash provided by operating activities	**52,166**	52,424	-	**161,078**	220,747	-27
Adjusted funds from operations [(1)]	**48,939**	58,772	-17	**152,572**	209,582	-27
Basic ($/ common share)	**0.25**	0.30	-17	**0.78**	1.09	-28
Diluted ($/ common share)	**0.24**	0.30	-20	**0.77**	1.07	-28
Net income and comprehensive net income	**8,871**	20,060	-56	**31,623**	62,195	-49
Basic ($/ common share)	**0.05**	0.10	-50	**0.16**	0.32	-50
Diluted ($/ common share)	**0.04**	0.10	-60	**0.16**	0.32	-50
Capital expenditures, net of A&D [(1)]	**82,110**	98,287	-16	**236,101**	219,951	7
Total assets	**1,378,621**	1,222,412	13	**1,378,621**	1,222,412	13
Bank debt	**45,428**	-	-	**45,428**	-	-
Net debt [(1)]	**95,889**	15,917	502	**95,889**	15,917	502
Shareholders' equity	**1,046,142**	976,146	7	**1,046,142**	976,146	7
Weighted average shares outstanding (000s)						
Basic	**196,084**	193,477	1	**195,437**	192,697	1
Diluted	**200,015**	198,147	1	**199,257**	196,405	1
OPERATIONS						
Average daily production						
Oil (bbls/d)	**8,827**	7,170	23	**8,396**	7,691	9
NGLs (bbls/d)	**3,075**	3,416	-10	**3,213**	3,873	-17
Gas (Mcf/d)	**122,857**	105,555	16	**122,314**	109,970	11
Combined (BOE/d)	**32,378**	28,179	15	**31,995**	29,892	7
Production per million common shares (BOE/d)	**165**	146	13	**164**	155	6
Net realized prices, before derivative financial instruments [(1)]						
Oil ($/bbl)	**93.88**	104.73	-10	**95.18**	98.78	-4
NGLs ($/bbl)	**49.06**	48.11	2	**52.34**	49.11	7
Gas ($/Mcf)	**1.25**	2.92	-57	**1.95**	3.20	-39
Operating netbacks ($/BOE) [(1)]						
Petroleum and natural gas sales	**36.22**	45.12	-20	**39.17**	44.92	-13
Cost of purchases	**(1.25)**	(1.80)	-31	**(1.49)**	(1.42)	5
Combined net realized price, before derivative financial instruments [(1)]	**34.97**	43.32	-19	**37.68**	43.50	-13
Realized gain (loss) on derivative financial instruments	**0.89**	(0.64)	239	**0.21**	1.81	-88
Combined net realized price, after derivative financial instruments [(1)]	**35.86**	42.68	-16	**37.89**	45.31	-16
Royalties	**(4.33)**	(5.97)	-27	**(5.15)**	(5.05)	2
Production expense	**(10.25)**	(9.57)	7	**(10.51)**	(10.26)	2
Transportation expense	**(3.37)**	(3.78)	-11	**(3.47)**	(3.43)	1
Operating netback [(1)]	**17.91**	23.36	-23	**18.76**	26.57	-29
Land holdings						
Gross acres	**792,198**	803,399	-1	**792,198**	803,399	-1
Net acres	**580,343**	587,818	-1	**580,343**	587,818	-1

(1) Refer to advisories regarding Non-GAAP and Other Financial Measures

MESSAGE TO SHAREHOLDERS

Kelt's average production for the three months ended September 30, 2024, was 32,378 BOE per day, up 15% from average production of 28,179 BOE per day during the corresponding period in 2023 and up 5% from average production of 30,693 BOE per day during the second quarter of 2024.

During the third quarter of 2024, Kelt commenced production from its newly drilled 6-well 14-2 pad at Wembley/Pipestone. Initial production from these wells are high in oil content and, as a result, the Company's oil production for the third quarter of 2024 grew by 16% to 8,827 barrels per day from 7,599 barrels per day in the second quarter of 2024. Combined gas and NGLs production grew by 2% quarter-over-quarter: 23,551 BOE per day in the third quarter of 2024 compared to 23,094 BOE per day in the second quarter of 2024.

Kelt's realized average oil price during the third quarter of 2024 was $93.88 per barrel, down 10% from $104.73 per barrel in the third quarter of 2023. The realized average NGLs price during the third quarter of 2024 was $49.06 per barrel, up 2% from $48.11 per barrel in the same quarter of 2023. Kelt's realized average gas price for the third quarter of 2024 was $1.25 per Mcf, down 57% from $2.92 per Mcf in the corresponding quarter of the previous year.

For the three months ended September 30, 2024, petroleum and natural gas sales were $107.9 million and adjusted funds from operations was $48.9 million ($0.24 per share, diluted), compared to $116.9 million and $58.8 million ($0.30 per share, diluted) respectively, in the third quarter of 2023. On September 30, 2024, net debt was $95.9 million or 0.4 times trailing twelve months adjusted funds from operations.

Net capital expenditures incurred during the three months ended September 30, 2024, were $82.1 million. During the third quarter of 2024, the Company spent $48.5 million on drill and complete operations and $32.6 million on facilities, pipelines, and equipment.

Kelt expects to spend $325.0 million on its capital expenditure program for 2024, unchanged from its previous forecast. Drill and complete costs for the Company's Montney multi-well pads (14 wells) at Wembley/Pipestone have averaged approximately $6.3 million per well, 14% lower than original budgeted costs of $7.2 million per well. As a result, Kelt expects to get a head start on its 2025 drilling program and has added a 3-well pad from its 2025 program to be drilled in November/December 2024. These wells are expected to be completed in the first quarter of 2025. In addition, Kelt now expects to shoot its extensive 3-D seismic program at Oak, British Columbia next year (previously planned for the fourth quarter of 2024). Kelt has added approximately $10.0 million of capital expenditures to the 2024 program for equipment, compression additions and oil battery enlargements that will be completed in 2025.

Kelt has now completed the remaining eight wells at Wembley/Pipestone from its 2024 drilling program. The Company currently has an estimated 9,000 to 12,000 BOE per day of shut-in production and new production ready to be brought on-stream with the start-up of the newly constructed CSV Albright Gas Plant ("Albright"). Kelt expected Albright to commence operations in the fourth quarter of 2024, however, the Company has been informed that construction of the facility is progressing towards substantial completion in the fourth quarter except for an out-of-country logistical challenge that has resulted in a delay associated with the delivery of certain essential and specialized equipment required for start-up of operations. Albright is now expected to commence commissioning operations during the first quarter of 2025. As a result of the delay in start-up, Kelt now expects to exit 2024 with production in the 36,000 to 38,000 BOE per day range. With commencement of Albright operations, Kelt expects to exit the first quarter of 2025 with production in the 45,000 to 50,000 BOE per day range.

Average production for 2024 is forecasted to be in the 32,000 to 33,500 BOE per day range. Production guidance for the year has been reduced from previous guidance of 34,000 to 36,000 BOE per day to account for the delay in start-up of Albright.

The Company has reduced its average commodity price forecasts for 2024 reflecting actual prices to date and estimated prices for the remainder of the year. The following table outlines forecasted average commodity price assumptions for 2024 with actual 2023 commodity prices shown for comparative purposes:

Commodity Index	2023 Actual	2024 Previous Forecast	2024 Current Forecast	Change In 2024 Forecast
WTI Oil (USD/bbl)	77.63	81.00	76.75	(5%)
MSW Oil (CAD/bbl)	100.40	104.55	98.71	(6%)
NYMEX Henry Hub Gas (USD/MMBtu)	2.53	2.35	2.30	(2%)
DAWN Gas (USD/MMBtu)	2.34	2.30	2.10	(9%)
AECO NIT Gas (CAD/GJ)	2.52	1.69	1.49	(12%)
STATION 2 Gas (CAD/GJ)	2.14	1.55	1.30	(16%)
Exchange Rate (USD/CAD)	0.7410	0.7310	0.7315	0%
Exchange Rate (CAD/USD)	1.3495	1.3680	1.3670	0%

Adjusted funds from operations ("AFFO") for 2024 is forecasted to be $221.5 million, 18% lower than the Company's previous forecast of $270.0 million. The reduction in forecasted AFFO reflects a 10% reduction in estimated realized commodity prices: $38.50 per BOE compared to the Company's previous forecast of $43.01 per BOE and the delay in starting up a significant production volume at Wembley/Pipestone from the fourth quarter of 2024 to the first quarter of 2025.

On December 31, 2024, the Company expects to have net debt of $117.0 million, or 0.5 times forecasted AFFO for 2024.

Financial and operating highlights forecasted for 2024 compared to 2023 actual results are highlighted in the table below:

Financial and Operating Highlights ($ MM, unless otherwise specified)	2023 Actual	2024 Forecast	Change
Production			
Oil & NGLs (bbls/d)	11,738	11,900 – 12,600	4% *[2]*
Gas (MMcf/d)	112,634	120,600 – 125,400	9% *[2]*
Combined (BOE/d)	30,510	32,000 – 33,500	7% *[2]*
P&NG Sales [1]	495.6	478.4	(3%)
Adjusted Funds from Operations *[1]*	276.2	221.5	(20%)
AFFO per share, diluted ($/share) *[1]*	1.40	1.11	(21%)
Capital Expenditures, net of A&D *[1]*	282.6	325.0	15%
Net Debt, at year-end *[1]*	13.0	117.0	800%
Net Debt / AFFO ratio *[1]*	0.0 x	0.5 x	
Notes: *[1] Refer to advisories regarding "Non-GAAP and Other Financial Measures".* *[2] Percent change for production is calculated using the mid-point of each production range.*			

In its Oak/Flatrock Division, Kelt has now put on production the remaining three wells from its 8-well drilling program in 2024.

In its Pouce Coupe/Progress/Spirit River Division, Kelt has completed four of the six Charlie Lake wells that were drilled during the year. These four wells, located at Spirit River, were recently equipped and are currently producing. The remaining two wells located at Pouce Coupe North are expected to be completed and brought on production prior to year-end. Three Montney wells at Pouce Coupe West have also now been completed and are expected to commence production at restricted rates prior to year-end. These three Montney wells can be produced at their full capability after the start-up of Albright, as the construction of a pipeline from Albright to the Company's Pouce Coupe infrastructure is also nearing completion.

In its Wembley/Pipestone Division, Kelt shut-in existing producing wells to make room under its current gas processing capacity for six new wells drilled off the 14-2 pad. Four of these wells were drilled in the Montney D3/D4 development horizon and two wells were drilled in the exploratory Montney D1 horizon. Initial production rates (estimated sales volumes) for 720 operating hours (IP30) after the wells were put on production and flowed for clean-up are as follows:

Wembley 103/14-14-73-8W6 (Montney D3) → 1,374 BOE/d (55% oil and NGLs);
Wembley 102/14-14-73-8W6 (Montney D4) → 1,291 BOE/d (54% oil and NGLs);
Wembley 103/15-14-73-8W6 (Montney D3) → 1,290 BOE/d (59% oil and NGLs);
Wembley 102/15-14-73-8W6 (Montney D4) → 1,196 BOE/d (59% oil and NGLs);
Wembley 100/14-14-73-8W6 (Montney D1) → 618 BOE/d (75% oil and NGLs); and
Wembley 100/15-14-73-8W6 (Montney D1) → 453 BOE/d (63% oil and NGLs).

The development locations in the Montney D3/D4 horizons continue to deliver exceptional results with IP30 rates averaging 1,288 BOE/d per well (57% oil and NGLs). The Company is encouraged with the results from the exploratory Montney D1 zone, which were a follow-up to a previous Montney D1 well drilled off the Wembley 12-3 pad that had an IP30 rate of 747 BOE/d (54% oil and NGLs) and an IP365 rate of 454 BOE/d (52% oil and NGLs). Kelt expects to install electronic submersible pumps on the two new Montney D1 wells which are expected to improve productivity. Also, the Company expects to follow-up with an additional Montney D1 well on its next round of pad drilling at Wembley, to further delineate the extent of this new exploratory zone.

Management expects to provide its 2025 capital expenditure budget and operating and financial guidance in early January 2025.

On behalf of the Board of Directors,

[signed]

David J. Wilson
President and Chief Executive Officer
November 7, 2024

MANAGEMENT'S DISCUSSION & ANALYSIS

Kelt Exploration Ltd. ("Kelt" or the "Company") is an oil and gas company based in Calgary, Alberta, focused on the exploration, development and production of crude oil and natural gas resources in Western Canada. Kelt's business plan is for long-term profitable growth by implementing a full cycle exploration and development program, with emphasis on low-cost land accumulation with the potential for high rates of return on capital invested. Kelt has an active exploration and development drilling program that it may complement with acquisitions and dispositions that optimize its asset base.

The Company was incorporated under the *Business Corporations Act* (Alberta) on October 11, 2012. Kelt's assets are comprised of three core operating divisions, namely: (1) Wembley/Pipestone in Alberta; (2) Pouce Coupe/Progress/Spirit River in Alberta; and (3) Oak/Flatrock in British Columbia. The Company's British Columbia assets are operated by Kelt Exploration (LNG) Ltd. ("Kelt LNG"), a wholly owned subsidiary of Kelt. The head office of the Company is located at Suite 300, 311 - 6th Avenue S.W., Calgary, Alberta T2P 3H2. The Company's common shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "KEL". Additional information relating to Kelt can be found on SEDAR+ at www.sedarplus.ca.

This Management's Discussion and Analysis ("MD&A") is dated November 6, 2024 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes as at and for the three and nine months ended September 30, 2024 and its audited annual consolidated financial statements and MD&A as at and for the year ended December 31, 2023. The accompanying condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

GENERAL ADVISORY

This MD&A contains certain specified financial measures consisting of non-GAAP measures, capital management measures, and supplementary financial measures. These non-GAAP and other financial measures include "funds from operations", "adjusted funds from operations", "adjusted funds from operations per common share", "petroleum and natural gas sales after cost of purchases", "operating income", "operating netback", "capital expenditures, before A&D", "capital expenditures, net of A&D", "net debt (surplus)", "net realized prices", "combined net realized prices", and "net debt (surplus) to adjusted funds from operations ratio" which do not have standardized meanings prescribed by generally accepted accounting principles ("GAAP") and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. For further information and reconciliation to Canadian generally accepted accounting principles "GAAP" measures, see "*Non-GAAP and Other Financial Measures*" in this MD&A.

This MD&A contains forward-looking information within the meaning of applicable Canadian securities laws. The use of and of the words "will", "expects", "believe", "plans", potential", "forecasts" and similar expressions are intended to identify forward-looking statements. Such forward-looking information is based upon certain expectations and assumptions and actual results may differ materially from those expressed or implied by such forward-looking information. For further information regarding the forward-looking information contained herein, including the assumptions underlying such forward-looking information, see *"Advisories Regarding Forward-Looking Statements"* in this MD&A.

BASIS OF PRESENTATION

All dollar amounts are referenced in thousands of Canadian dollars, except when noted otherwise. This MD&A 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.

FINANCIAL AND OPERATING SUMMARY

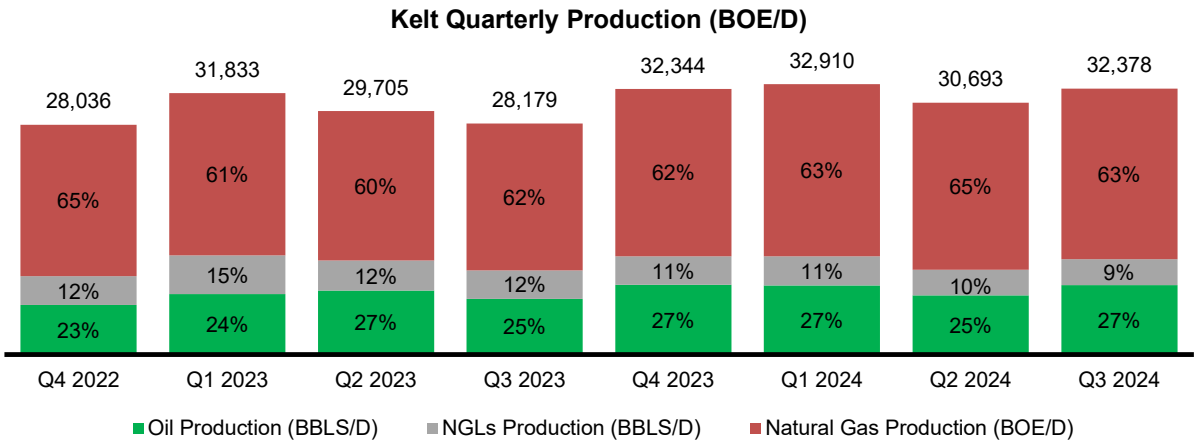
	Three months ended September 30			Nine months ended September 30		
(CA$ thousands, except as otherwise indicated)	**2024**	2023	%	**2024**	2023	%
FINANCIAL PERFORMANCE						
Petroleum and natural gas sales	**107,884**	116,948	-8	**343,368**	366,580	-6
Cash provided by operating activities	**52,166**	52,424	-	**161,078**	220,747	-27
Adjusted funds from operations [(1)]	**48,939**	58,772	-17	**152,572**	209,582	-27
Diluted ($/ common share)	**0.24**	0.30	-20	**0.77**	1.07	-28
Net income and comprehensive net income	**8,871**	20,060	-56	**31,623**	62,195	-49
Diluted ($/ common share)	**0.04**	0.10	-60	**0.16**	0.32	-50
Capital expenditures, net of A&D [(1)]	**82,110**	98,287	-16	**236,101**	219,951	7
Net debt [(1)]	**95,889**	15,917	502	**95,889**	15,917	502
OPERATIONAL PERFORMANCE						
Average daily production (BOE/d)	**32,378**	28,179	15	**31,995**	29,892	7
Combined net realized price, before derivative financial instruments [(1)]	**34.97**	43.32	-19	**37.68**	43.50	-13
Combined net realized price, after derivative financial instruments [(1)]	**35.86**	42.68	-16	**37.89**	45.31	-16
Operating netback [(1)]	**17.91**	23.36	-23	**18.76**	26.57	-29

(1) Refer to advisories regarding Non-GAAP and Other Financial Measures

Kelt's third quarter of 2024 financial and operating results are highlighted by the following:

- **Production** – Average production of 32,378 BOE per day (37% oil/NGLs) increased by 5% from 30,693 BOE per day (35% liquids) in the second quarter of 2024 and increased 15% from 28,179 BOE per day (38% oil/NGLs) in the third quarter of 2023.
- **Petroleum and natural gas sales –** For the three months ended September 30, 2024, petroleum and natural gas sales were $107.9 million, a decrease of 8% from the third quarter of 2023. Kelt's combined net realized price before derivative financial instruments of $34.97 per BOE decreased 19% from the third quarter of 2023.
- **Operating netback –** Kelt's operating netback was $17.91 per BOE for the quarter ended September 30, 2024, a decrease of 23% from $23.36 per BOE during the quarter ended September 30, 2023. The decrease in the operating netback per BOE was primarily due to lower benchmark natural gas and crude oil prices in 2024.
- **Cash provided by operating activities and adjusted funds from operations** – Cash provided by operating activities of $52.2 million in the third quarter of 2024 was unchanged compared to the third quarter of 2023. Adjusted funds from operations of $48.9 million ($0.24 per share, diluted) in the third quarter of 2024 decreased 17% from $58.8 million ($0.30 per share, diluted) in the third quarter of 2023.
- **Net income –** Kelt reported net income of $8.9 million ($0.04 per common share, diluted) for the three months ended September 30, 2024, compared to a net income of $20.1 million ($0.10 per common share, diluted) in the third quarter of 2023.
- **Capital investments** – Capital expenditures, net of A&D, was $82.1 million and included the drilling of 10.2 net wells and completion of 7.2 net wells. Facilities, pipeline and well equipment expenditures was $32.6 million for the third quarter of 2024.
- **Liquidity** – The Company ended the quarter with net debt of $95.9 million (0.4 times trailing 12-month adjusted funds from operations).

PRODUCTION

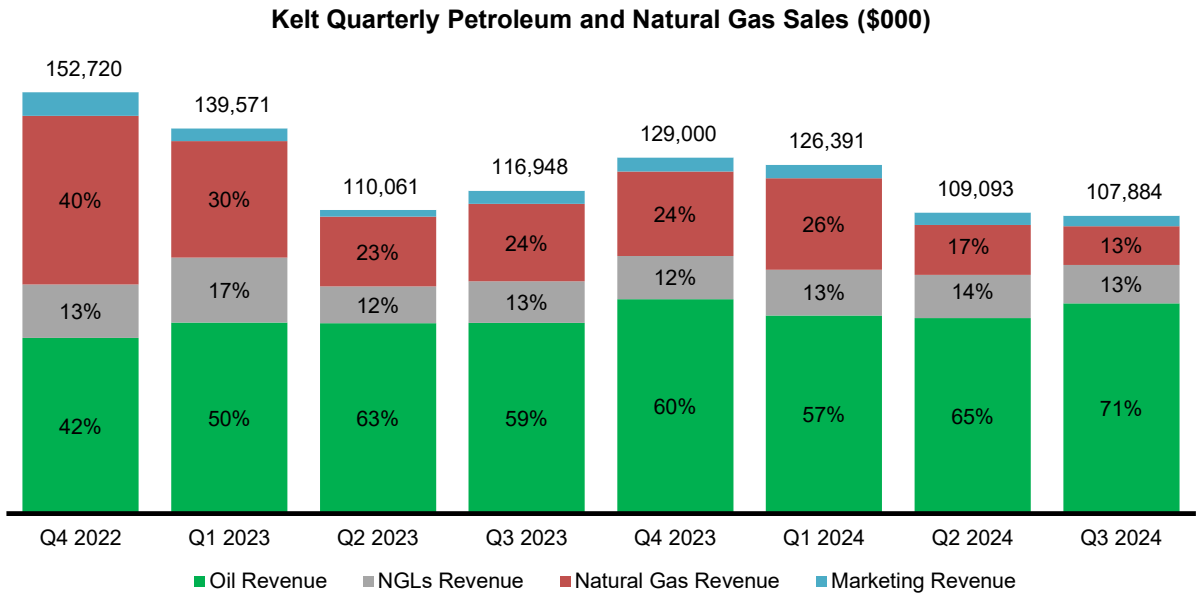


	Three months ended September 30			Nine months ended September 30		
(CA$ thousands, except as otherwise indicated)	**2024**	2023	%	**2024**	2023	%
Average daily production:						
Oil (bbls/d)	**8,827**	7,170	23	**8,396**	7,691	9
NGLs (bbls/d)	**3,075**	3,416	-10	**3,213**	3,873	-17
Gas (Mcf/d)	**122,857**	105,555	16	**122,314**	109,970	11
Combined (BOE/d)	**32,378**	28,179	15	**31,995**	29,892	7
Oil and NGLs weighting	**37%**	38%	-3	**36%**	39%	-8

Average production for the three months ended September 30, 2024 of 32,378 BOE per day and for the nine months ended September 30, 2024 of 31,995 BOE per day increased 15% and 7%, respectively, from the comparable periods in 2023. Kelt maintains additional production both from new wells and shut-in wells that is expected to be brought on-stream with the start-up of a third-party natural gas processing plant at Wembley/Pipestone in the first quarter of 2025.

The decrease in NGLs production in 2024 was a result of third-party downtime in 2024 at a deep cut raw gas processing facility, resulting in a reduction in NGLs yields. In addition, Kelt increased its natural gas processing at a third-party shallow-cut facility following a plant expansion in December 2023, resulting in overall higher production, but lower NGLs yields in 2024.

PETROLEUM AND NATURAL GAS SALES ("P&NG SALES")



	Three months ended September 30			Nine months ended September 30		
(CA$ thousands, except as otherwise indicated)	**2024**	2023	%	**2024**	2023	%
Oil	**76,195**	69,022	10	**218,811**	207,215	6
NGLs	**13,877**	15,121	-8	**46,077**	51,921	-11
Gas	**14,043**	28,097	-50	**65,245**	95,662	-32
Marketing revenue [1]	**3,769**	4,708	-20	**13,235**	11,782	12
P&NG Sales	**107,884**	116,948	-8	**343,368**	366,580	-6
Cost of purchases [2]	**(3,728)**	(4,671)	-20	**(13,060)**	(11,613)	12
P&NG Sales after cost of purchases [3][5]	**104,156**	112,277	-7	**330,308**	354,967	-7
Combined net realized price ($/BOE) [4][5]	**34.97**	43.32	-19	**37.68**	43.50	-13

(1) Marketing revenue includes the sale of third-party volumes related to the Company's oil blending operations and natural gas activities.

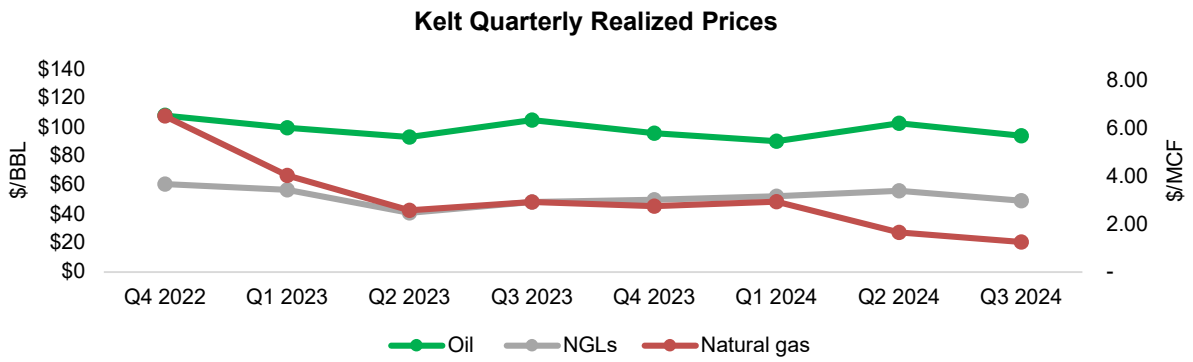
(2) Cost of purchases includes costs for the purchase of third-party volumes related to the Company's oil blending operations and natural gas activities.

(3) P&NG sales after cost of purchases includes petroleum and natural gas sales, net of the cost of the third-party volumes purchased.

(4) Combined net realized price ($/BOE) equals P&NG sales after cost of purchases (3) divided by total production.

(5) Refer to advisories regarding Non-GAAP and Other Financial Measures.

Petroleum and natural gas sales for the third quarter of 2024 was $107.9 million, down 8% from $117.0 million from the third quarter of 2023. Petroleum and natural gas sales for the nine months ending September 30, 2024 was $343.4 million, down 6% from the comparable period in 2023. The decrease in P&NG sales from 2023 was primarily due to a decrease in benchmark natural gas and crude oil prices, which was partially offset by higher production in 2024.



	Three months ended September 30			Nine months ended September 30		
	2024	2023	%	**2024**	2023	%
Net realized prices [9]						
Oil ($/bbl)	**93.88**	104.73	-10	**95.18**	98.78	-4
NGLs ($/bbl)	**49.06**	48.11	2	**52.34**	49.11	7
Gas ($/Mcf)	**1.25**	2.92	-57	**1.95**	3.20	-39
Combined ($/BOE)	**34.97**	43.32	-19	**37.68**	43.50	-13
Average benchmark prices						
Oil and NGLs						
WTI Cushing Oklahoma (US$/bbl) [1]	**76.31**	82.22	-7	**78.53**	77.36	2
Mixed Sweet Blend Edmonton ("MSW") ($/bbl) [2]	**99.50**	107.85	-8	**99.78**	100.61	-1
Edmonton Pentane ($/bbl) [3]	**99.75**	106.74	-7	**101.12**	102.29	-1
Edmonton Butane ($/bbl) [3]	**50.01**	43.85	14	**45.94**	44.74	3
Edmonton Propane ($/bbl) [3]	**29.05**	20.92	39	**29.03**	27.25	7
Edmonton Ethane ($/bbl) [3]	**1.96**	7.23	-73	**3.75**	7.65	-51
Natural Gas						
NYMEX Henry Hub (US$/MMBtu) [6]	**2.08**	2.58	-19	**2.19**	2.46	-11
AECO 5A (CA$/MMBtu) [4]	**0.69**	2.60	-73	**1.46**	2.76	-47
Chicago Alliance, into Interstates (CA$/MMBtu) [5]	**2.28**	3.06	-25	**2.73**	3.11	-12
Dawn (CA$/MMBtu) [5]	**2.32**	3.05	-24	**2.56**	3.17	-19
Malin (CA$/MMBtu) [5]	**2.38**	4.25	-44	**2.84**	6.79	-58
Sumas (CA$/MMBtu) [5]	**2.03**	4.01	-49	**2.64**	6.12	-57
Station 2 (CA$/MMBtu) [7]	**0.50**	2.55	-80	**1.29**	2.45	-47
Marcellus (TZ4 L300) (CA$/MMBtu) [5]	**1.88**	1.51	24	**2.07**	2.09	-1
Average exchange rate (CA$/US$) [8]	**1.3637**	1.3411	2	**1.3603**	1.3455	1

(1) Source: U.S Energy Information Administration, Canadian dollar equivalent price WTI price ("CA$WTI") is calculated based on the monthly average US dollar WTI price and the monthly average CA$/US$ exchange rate (8).

(2) Source: Tidal Energy Marketing.

(3) Source: Sproule Associates Limited.

(4) Source: Canadian Gas Price Reporter converted to CA$/MMBtu using monthly average CA$/US$ exchange rate (8).

(5) Source: S&P Global Platts (US$/MMBtu) Daily Midpoint Average converted to CA$/MMBtu using monthly average CA$/US$ exchange rate (8).

(6) Source: S&P Global Platts (US$/MMBtu) Daily Midpoint Average

(7) Source: S&P Global Platts (CA$/GJ) Daily Midpoint Average converted to CA$/MMBtu

(8) Source: Bank of Canada.

(9) Net realized prices are calculated based on Petroleum and Natural Gas Sales, less the cost of purchases of third-party volumes and reflect Kelt's realized commodity prices plus the net benefit of oil blending and natural gas marketing activities. Net realized prices exclude both realized and unrealized gains and losses on derivative financial instruments. Refer to additional information under the heading of "Non-GAAP and Other Financial Measures".

Combined Net Realized Price

Kelt's combined net realized price decreased 19% to $34.97 per BOE in the third quarter of 2024 and decreased 13% to $37.68 per BOE in the nine months ending September 30, 2024 versus the comparable periods in 2023. The decrease in the average realized price was due to a decrease in benchmark natural gas and crude oil prices.

Oil prices

The mixed sweet blend benchmark crude oil price decreased 8% for the quarter ended September 30, 2024 and decreased 1% for the nine months ended September 30, 2024 versus the comparable periods in 2023. Continued OPEC+ production curtailments and higher global demand was generally balanced by increases in non-OPEC+ supply growth in 2024.

NGL prices

NGLs prices are impacted by benchmark WTI prices, the NGLs product mix and localized market supply and demand issues. For the three months and nine months ended September 30, 2024, realized NGLs price increased 2% and 7%, respectively, as compared to the same period in 2023.

Benchmark pentane prices closely follow the mixed sweet blend benchmark crude oil price, which both decreased in 2024. Benchmark ethane prices are closely tied to the natural gas benchmark price, which both significantly decreased in 2024 versus the comparable periods in 2023.

Western Canadian propane inventory levels moved from being above the five-year average in the second quarter of 2024 to being at the five-year average in the third quarter of 2024. The relative decrease in propane inventory levels as compared to the five-year average in the third quarter of 2024 was a result of propane demand setting new seasonal highs in 2024, while Canadian propane exports to the United States remained strong. This increase in demand resulted in an overall increase in propane prices in the third quarter of 2024.

Western Canadian butane inventory levels fell below the five-year trend in the third quarter of 2024, resulting in an increase in benchmark butane prices in the third quarter of 2024.

Natural gas prices

Realized natural gas price decreased by 57% to $1.25 per MCF in the third quarter of 2024 compared to the third quarter of 2023 and decreased 39% to $1.95 per MCF for the nine months ended September 30, 2024. Canadian benchmark natural gas prices decreased significantly in 2024 as Western Canadian natural gas storage levels were significantly above the five-year average and nearing the maximum estimated storage capacity by the end of the third quarter. The AECO benchmark natural gas price decreased by 73% and the Station 2 benchmark natural gas price decreased by 77% in the third quarter of 2024 compared to the third quarter of 2023.

RISK MANAGEMENT AND HEDGING ACTIVITIES

The Company may enter into fixed price contracts and derivative financial instruments for commodity prices, currency exchange and interest rates in order to secure future cash flows or to protect a desired level of capital spending. Fair value accounting for derivative financial instruments may cause significant fluctuations in the reported amounts of derivative financial instrument assets and liabilities and the resultant magnitude of unrealized gains and losses.

The table below summarizes realized and unrealized gains (losses) on derivative financial instrument contracts:

	Three months ended September 30			Nine months ended September 30		
(CA$ thousands, except as otherwise indicated)	**2024**	2023	%	**2024**	2023	%
Realized gain (loss)	**2,646**	(1,650)	260	**1,900**	14,798	-87
Unrealized gain (loss)	**1,252**	311	303	**1,723**	(24,643)	107
Loss on derivative financial instruments	**3,898**	(1,339)	391	**3,623**	(9,845)	137
$ per BOE	**1.31**	(0.52)	352	**0.41**	(1.21)	134

Commodity price risk

Inherent to the business of producing oil and gas, the Company's cash provided by operating activities is subject to commodity price risk. Commodity price risk is the risk that future cash flows will fluctuate from changes in commodity prices. Commodity prices are impacted by world economic events that dictate the levels of supply and demand as well as the currency exchange rate relationship between the Canadian and US dollar.

As at November 6, 2024, the following commodity price derivative financial instrument contracts are outstanding:

Crude oil derivative financial instrument contracts

Contract Type [1]	Notional Volume	Contract Price	Remaining Term
WTI fixed price swap	1,000 bbl/d	CAD$103.00/bbl	Nov 24 – Dec 24
WTI fixed price swap	1,000 bbl/d	CAD$101.00/bbl	Jan 25 – Mar 25

(1) West Texas Intermediate ("WTI")

NGL derivative financial instrument swap contracts

Contract Type	Notional Volume	Contract Price	Remaining Term
OPIS-Conway propane fixed price swap	250 bbl/d	USD$34.44/bbl	Oct 24 – Mar 25
OPIS-Conway propane basis swap	250 bbl/d	Monthly OPIS-Conway basis calculated at 43.5% of the floating monthly WTI price	Oct 24 – Mar 25

Natural gas derivative financial instrument contracts

Contract Type [1]	Notional Volume	Contract Price $/MMBtu	Remaining Term
NYMEX-AECO 7A basis swap	10,000 MMBtu/d	Monthly AECO basis calculated at 30% of the floating monthly NYMEX price	Oct 24
NYMEX-AECO 7A basis swap	10,000 MMBtu/d	NYMEX less USD$1.06	Oct 24 – Mar 25
NYMEX-AECO 5A basis swap	30,000 MMBtu/d	NYMEX less USD$1.10	Nov 24 – Mar 25

(1) NYMEX Henry Hub ("NYMEX")

Natural gas embedded derivative

Contract Type	Notional Volume	Contract Price [1]	Remaining Term
Physical delivery contract	2,513 GJ/d	Floating AESO power pool price (CAD/MWh) divided by the Fixed Heat Rate of 17.95 GJ/MWh	Jan 25 – Dec 26

(1) Alberta Electric System Operator ("AESO")

The Company has a two-year natural gas supply agreement to deliver 2,513 GJ/d of gas to the Nova Inventory Transfer point. Under the terms of the agreement, the Company receives a price equal to the Floating AESO Power Pool Price divided by the fixed heat rate of 17.95 GJ/MWh. It was determined that the agreement contained an embedded derivative.

The fair value of the embedded derivative is calculated by the difference between the forecasted Floating AESO Power Pool Price divided by the fixed heat rate of 17.95 GJ/MWh, less the forecasted AECO 5A price, for the remaining term of the contract.

In addition to the derivative financial instrument contracts above, the Company has the following sales contracts for physical delivery:

Natural gas physical delivery contracts

Contract Type	Notional Volume	Contract Price	Remaining Term
AECO - Station 2 basis differential	5,000 GJ/d	AECO 7A less CAD$0.15/GJ	Nov 24 – Mar 25
AECO 7A (physical) collar	10,000 GJ/d	Ceiling – $3.65/GJ; Floor – $1.00/GJ	Nov 24 – Mar 25

Interest rate risk

The Company is exposed to interest rate risk as changes in market interest rates will impact the Credit Facility which is subject to a floating interest rate. Based on bank debt balance as of September 30, 2024 of $45.4 million, an increase (decrease) in the market rate of interest by 25 basis points would have an insignificant impact. As at November 6, 2024, there are no interest rate risk management contracts outstanding.

Foreign exchange risk

Kelt is exposed to fluctuations of the Canadian to U.S. dollar exchange rate given realized pricing is directly influenced by U.S. dollar denominated benchmark pricing and from exposure from certain U.S. dollar denominated natural gas marketing arrangements.

At November 6, 2024, the following foreign exchange derivative financial instrument contracts are outstanding:

Foreign exchange derivative financial instrument swap contracts

Contract Type	Notional Volume	Contract/Exercise Price	Remaining Term
CAD/USD swap	USD$2.5 million/month	$1.3772 CAD/USD	Oct 24 – Dec 24
CAD/USD swap	USD$5.0 million/month	$1.3804 CAD/USD	Jan 25 – Dec 25

Foreign exchange derivative financial instrument option contracts

Contract Type	Notional Volume	Contract/Exercise Price	Exercise/ expiration date	Term if exercised
Sold call option	USD$1.0 million/month	$1.3800 CAD/USD	Dec 31, 2024	Jan 25 – Jun 25
Sold call option	USD$1.0 million/month	$1.3750 CAD/USD	Dec 31, 2024	Jan 25 – Dec 25
Sold call option	USD$2.0 million/month	$1.3820 CAD/USD	Dec 31, 2025	Jan 26 – Dec 26
Sold call option	USD$2.0 million/month	$1.3800 CAD/USD	Dec 31, 2025	Jan 26 – Dec 26

ROYALTIES

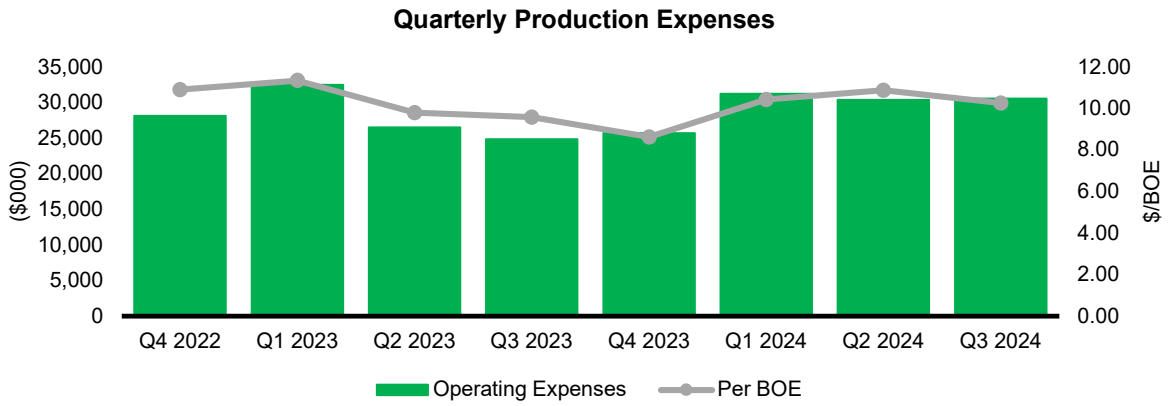
	Three months ended September 30			Nine months ended September 30		
(CA$ thousands, except as otherwise indicated)	**2024**	2023	%	**2024**	2023	%
Royalties	**12,899**	15,468	-17	**45,185**	41,232	10
Average royalty rate (1)	**12.4%**	13.8%	-10	**13.7%**	11.6%	18
$ per BOE	**4.33**	5.97	-27	**5.15**	5.05	2

(1) The average royalty rate is calculated based on total royalties as a percentage of "P&NG Sales, before marketing" which excludes sales related to the sale of third-party production volumes used in oil blending operations (see table under the heading of *"Petroleum and Natural Gas Sales"*).

Kelt's average royalty rate of 12.4% during the third quarter of 2024 decreased 10% compared to 13.8% during the third quarter of 2023. The decrease in the royalty rate in the third quarter was primarily due lower natural gas prices and an increase in new Alberta wells brought on-stream that are eligible for an initial low royalty rate of five percent.

Kelt's average royalty rate was 13.7% for the nine months ending September 30, 2024 versus 11.6% in the same period in 2023. The increase in the royalty rate in 2024 was due to an increase in crude oil commodity prices, and a decrease in the infrastructure royalty credits in British Columbia as Kelt utilized all the credits available in the first phase of the infrastructure royalty program.

PRODUCTION EXPENSES

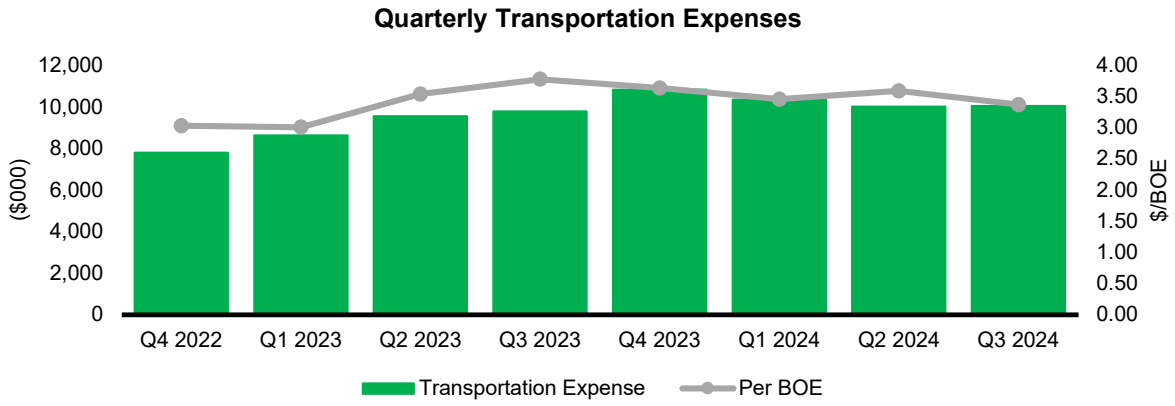


	Three months ended September 30			Nine months ended September 30		
(CA$ thousands, except as otherwise indicated)	**2024**	2023	%	**2024**	2023	%
Production expense	**30,533**	24,809	23	**92,120**	83,760	10
$ per BOE	**10.25**	9.57	7	**10.51**	10.26	2

Production expenses were $30.5 million during the third quarter of 2024, increased 23% from the comparative quarter in 2023. Production expenses averaged $10.25 per BOE during the third quarter of 2024, compared to $9.57 per BOE in the same period in 2023. Production expenses per BOE were higher in the third quarter of 2024 primarily due to nonrecurring operating expense credits from third-party facilities in 2023, which was partially offset by lower utility costs in 2024.

Production expense was $92.1 million during the first nine months of 2024, an increase of 10% from the nine months ended September 30, 2023. Production expenses per BOE remained relatively consistent year over year. Nonrecurring operating expense credits from third-party facilities booked in 2023 were offset by lower utility and field maintenance costs in 2024.

TRANSPORTATION EXPENSES



	Three months ended September 30			Nine months ended September 30		
(CA$ thousands, except as otherwise indicated)	**2024**	2023	%	**2024**	2023	%
Transportation expense [(1)]	**10,046**	9,787	3	**30,427**	27,978	9
$ per BOE	**3.37**	3.78	-11	**3.47**	3.43	1

(1) Pipeline tariffs are classified as transportation expenses when the Company has firm commitments or contractual arrangements on the pipeline. Pipeline tariffs may also be incurred indirectly by way of deduction from the base price paid by the purchasers of the Company's oil, NGLs and gas sales. In the latter case, and in the absence of a firm contractual obligation on the pipeline, the pipeline tariffs are presented as a reduction of revenue rather than as transportation expense.

Transportation expenses per BOE during the third quarter of 2024 averaged $3.37 per BOE, a decrease of 11% compared to the third quarter of 2023. For the nine months ending September 30, 2024, transportation expenses averaged $3.47 per BOE, a slight increase of 1% from the same period in 2023. Transportation expenses per BOE decreased in the third quarter of 2024 as the Company's volumes sold under its gas market diversification strategy remained consistent year over year, while additional natural gas volumes were sold at the AECO and Station 2 price hub with minimal associated transportation costs, resulting in an overall reduction in the per BOE costs.

FINANCING EXPENSES

	Three months ended September 30			Nine months ended September 30		
(CA$ thousands, except as otherwise indicated)	**2024**	2023	%	**2024**	2023	%
Interest expense	**1,078**	330	227	**2,217**	966	130
Accretion of decommissioning obligations	**817**	724	13	**2,273**	2,139	6
Financing expense	**1,895**	1,054	80	**4,490**	3,105	45
Interest expense per BOE [(1)]	**0.36**	0.13	177	**0.25**	0.12	108

(1) Interest expense used in the calculation of "Interest expense per BOE" includes interest and fees on bank debt.

The Company periodically drew on its credit facility and incurred standby fees in the first nine months of 2024 resulting in interest expense of $2.2 million. As at September 30, 2024, $45.4 million was drawn under the credit facility, with outstanding letters of credit of $2.6 million.

Additional information regarding the credit facility is provided under the heading of *"Capital Resources and Liquidity"*.

GENERAL AND ADMINISTRATIVE ("G&A") EXPENSES

The following table summarizes significant components of the Company's G&A expenses:

	Three months ended September 30			Nine months ended September 30		
(CA$ thousands, except as otherwise indicated)	**2024**	2023	%	**2024**	2023	%
Salaries and benefits	**3,716**	3,169	17	**11,092**	9,606	15
Other G&A expenses	**1,640**	1,201	37	**5,031**	4,231	19
Gross G&A expenses	**5,356**	4,370	23	**16,123**	13,837	17
Overhead recoveries	**(2,111)**	(2,288)	-8	**(6,337)**	(6,501)	-3
G&A expense, net of recoveries	**3,245**	2,082	56	**9,786**	7,336	33
Gross G&A ($ per BOE)	**1.80**	1.69	7	**1.84**	1.70	8
Net G&A ($ per BOE)	**1.09**	0.80	36	**1.12**	0.90	24

Gross G&A expenses increased 23% in the third quarter of 2024 and 17% in the nine months ended September 30, 2024 compared to the same periods in 2023. Gross G&A increased primarily due to employee-related costs and consulting fees. Net G&A expenses per BOE increased 36% in the third quarter of 2024 and increased 24% during the nine months ended September 30, 2024.

G&A expenses are reported net of overhead recoveries; however, Kelt does not capitalize any direct G&A expenses.

SHARE BASED COMPENSATION ("SBC")

	Three months ended September 30			Nine months ended September 30		
(CA$ thousands, except as otherwise indicated)	**2024**	2023	%	**2024**	2023	%
Stock options	**1,367**	1,156	18	**3,890**	3,970	-2
Restricted share units ("RSUs")	**954**	693	38	**2,607**	1,740	50
Total SBC expense	**2,321**	1,849	26	**6,497**	5,710	14
$ per BOE	**0.78**	0.71	10	**0.74**	0.70	6

The increase in SBC expense during the three and nine months ended September 30, 2024 compared to the same quarter in 2023 is primarily due to the higher fair value associated with recent option and RSU grants.

As at September 30, 2024, stock options and RSUs outstanding represent 6.1% of total shares outstanding (December 31, 2023 – 5.9%).

DEPLETION AND DEPRECIATION

	Three months ended September 30			Nine months ended September 30		
(CA$ thousands, except as otherwise indicated)	**2024**	2023	%	**2024**	2023	%
Depletion and depreciation	**35,187**	29,927	18	**100,955**	92,974	9
$ per BOE	**11.81**	11.54	2	**11.52**	11.39	1

Depletion and depreciation expense increased by 18% for the three months ended September 30, 2024, as compared to the same periods in 2023. Depletion and depreciation expense of $101.0 million for the nine months ended September 30, 2024, increased by 9% from $93.0 million in comparable period in 2023. The increase was primarily due to an increase in production. For the three and nine months ended September 30, 2024, on a per BOE basis, the depletion and depreciation expense remained consistent year over year.

Based on its assessment as of September 30, 2024, the Company determined that there were no indicators of impairment for the Alberta CGU and BC CGU and there are no previous impairments available for reversals.

INCOME TAXES

	Three months ended September 30			Nine months ended September 30		
(CA$ thousands, except as otherwise indicated)	**2024**	2023	%	**2024**	2023	%
Deferred income tax expense	**2,995**	6,523	-54	**12,802**	20,608	-38
Net income before taxes	**11,866**	26,583	-55	**44,425**	82,803	-46
Effective tax recovery rate	**25.2%**	24.5%	3	**28.8%**	24.9%	16

Kelt's consolidated combined federal and provincial statutory tax rate averaged 23% during the nine months ended September 30, 2024 and 2023.

The Company's consolidated tax pools are estimated to be approximately $867.6 million as of September 30, 2024 as summarized in the table below.

		September 30	December 31
(CA$ thousands, except otherwise indicated)	Rate	**2024**	2023
Canadian oil and gas property expenses (COGPE)	10%	**57,771**	60,905
Canadian development expenses (CDE)	30%	**294,227**	241,162
Canadian exploration expenses (CEE)	100%	**661**	407
Undepreciated capital cost [(1)] (UCC)	25%	**258,868**	230,290
Non-capital losses [(2)] (NCL)	100%	**256,083**	247,657
Estimated tax deductions available, end of period		**867,610**	780,421

(1) The majority of the Company's undepreciated capital cost deductions relate to Class 41 assets, which are deductible at a rate of 25% per year.

(2) The Company's non-capital losses expire in years 2033 to 2043.

ADJUSTED FUNDS FROM OPERATIONS

The following table provides a continuity of income and expenses included in the Company's calculation of operating income and adjusted funds from operations generated during the three and nine month periods ended September 30, 2024 and 2023, respectively.

	Three months ended September 30			Nine months ended September 30		
(CA$ thousands, except as otherwise indicated)	**2024**	2023	%	**2024**	2023	%
Petroleum and natural gas sales	**107,884**	116,948	-8	**343,368**	366,580	-6
Cost of purchases	**(3,728)**	(4,671)	-20	**(13,060)**	(11,613)	12
Realized gain (loss) on derivative financial instruments [1]	**2,646**	(1,650)	-260	**1,900**	14,798	-87
Royalties	**(12,899)**	(15,468)	-17	**(45,185)**	(41,232)	10
Production expense	**(30,533)**	(24,809)	23	**(92,120)**	(83,760)	10
Transportation expense	**(10,046)**	(9,787)	3	**(30,427)**	(27,978)	9
Operating Income [2]	**53,324**	60,563	-12	**164,476**	216,795	-24
Financing expense [3]	**(1,078)**	(330)	227	**(2,217)**	(966)	130
G&A expense	**(3,245)**	(2,082)	56	**(9,786)**	(7,336)	33
Gain (loss) on foreign exchange	**(67)**	115	-158	**(15)**	(2)	650
Other income	**5**	506	-99	**114**	1,091	-90
Adjusted funds from operations [2]	**48,939**	58,772	-17	**152,572**	209,582	-27
Basic ($ per common share) [4]	**0.25**	0.30	-17	**0.78**	1.09	-28
Diluted ($ per common share) [4]	**0.24**	0.30	-20	**0.77**	1.07	-28

	Three months ended September 30			Nine months ended September 30		
($ per BOE)	**2024**	2023	**%**	**2024**	2023	%
Petroleum and natural gas sales	**36.22**	45.12	-20	**39.17**	44.92	-13
Cost of purchases	**(1.25)**	(1.80)	-31	**(1.49)**	(1.42)	5
Realized gain (loss) on derivative financial instruments [1]	**0.89**	(0.64)	-239	**0.21**	1.81	-88
Royalties	**(4.33)**	(5.97)	-27	**(5.15)**	(5.05)	2
Production expense	**(10.25)**	(9.57)	7	**(10.51)**	(10.26)	2
Transportation expense	**(3.37)**	(3.78)	-11	**(3.47)**	(3.43)	1
Operating Netback [2]	**17.91**	23.36	-23	**18.76**	26.57	-29
Financing expense [3]	**(0.36)**	(0.13)	177	**(0.25)**	(0.12)	108
G&A expense	**(1.09)**	(0.80)	36	**(1.12)**	(0.90)	24
Gain (loss) on foreign exchange	**(0.02)**	0.04	-150	**-**	-	-
Other income	**-**	0.20	-100	**0.01**	0.13	-92
Adjusted funds from operations [2]	**16.44**	22.67	-27	**17.40**	25.68	-32

(1) Includes realized gains (losses) on commodity price and foreign exchange derivatives.

(2) Refer to advisories regarding "Non-GAAP and Other Financial Measures".

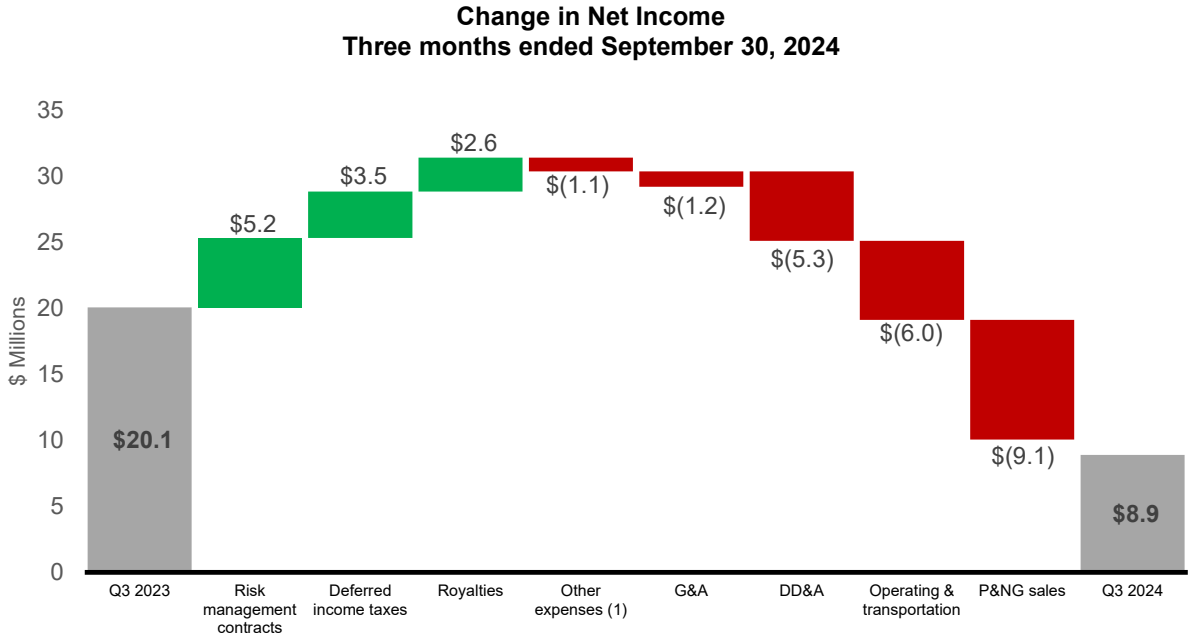
(3) Excludes non-cash accretion of decommissioning obligations.

(4) Adjusted funds from operations (2) per common share is calculated on a consistent basis with net income per common share, using basic and diluted weighted average common shares as determined in accordance with GAAP.

During the quarter ended September 30, 2024, adjusted funds from operations of $48.9 million ($0.24 per share, diluted) decreased by 17% from $58.8 million ($0.30 per share, diluted) compared to the quarter ended September 30, 2023. During the nine months ended September 30, 2024, adjusted funds from operations of $152.6 million ($0.77 per share, diluted) decreased by 27% from $209.6 million ($1.07 per share, diluted) versus the nine months ended

September 30, 2023. The decrease in adjusted funds from operations is primarily attributed to an 8% and 6% decrease in petroleum and natural gas sales for the quarter and nine months ended September 30, 2024.

NET INCOME AND COMPREHENSIVE NET INCOME



(1) The change net income due to other expenses includes cost of purchases, finance expense, share based compensation expense and foreign exchange gain (loss).

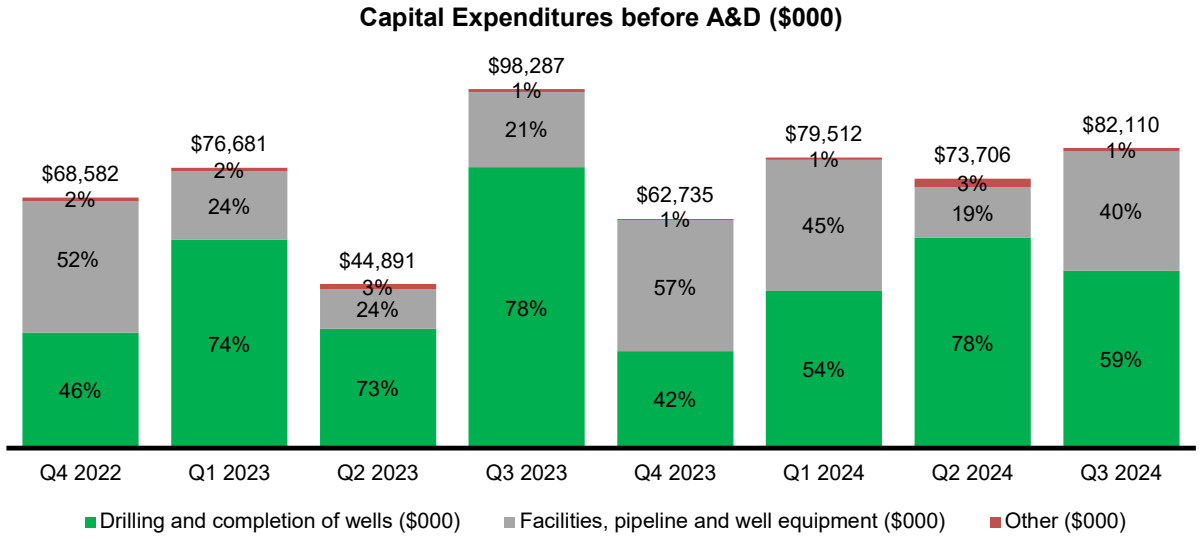
	Three months ended September 30			Nine months ended September 30		
(CA$ thousands, except as otherwise indicated)	**2024**	2023	%	**2024**	2023	%
Net income and comprehensive net income	**8,871**	20,060	-56	**31,623**	62,195	-49
$ per common share, basic	**0.05**	0.10	-50	**0.16**	0.32	-50
$ per common share, diluted [(1)]	**0.04**	0.10	-60	**0.16**	0.32	-50
$ per BOE	**2.99**	7.74	-61	**3.60**	7.62	-53
Wtd avg. shares outstanding, basic (000s)	**196,084**	193,477	1	**195,437**	192,697	1
Wtd avg. shares outstanding, diluted (000s) [(1)]	**200,015**	198,147	1	**199,257**	196,405	1

(1) The Company uses the treasury stock method to determine the dilutive effect of stock options and RSUs. Under this method, only "in-the-money" dilutive instruments impact the calculation of diluted net income per common share.

Kelt reported net income of $8.9 million ($0.04 per common share, diluted) for the three months ended September 30, 2024, compared to a net income of $20.1 million ($0.10 per common share, diluted) in the same three month period of 2023. Kelt reported net income of $31.6 million ($0.16 per common share, diluted) for the nine months ended September 30, 2024, compared to a net income of $62.2 million ($0.16 per common share, diluted) in the same period of 2023. The decrease in net income was primarily driven by a reduction in benchmark commodity prices, and overall higher production expenses in 2024 which was offset by a positive change in the Company's commodity derivative financial instrument contracts.

INVESTING ACTIVITIES

CAPITAL EXPENDITURES



The Company's capital expenditures, including acquisitions and dispositions ("A&D"), are summarized in the following table:

	Three months ended September 30			Nine months ended September 30		
(CA$ thousands, except as otherwise indicated)	**2024**	2023	%	**2024**	2023	%
Capital expenditures:						
Lease acquisition and retention	**115**	540	-79	**2,252**	1,527	47
Geological and geophysical	**85**	210	-60	**587**	1,085	-46
Drilling and completion of wells	**48,529**	76,902	-37	**149,080**	166,630	-11
Facilities, pipeline and well equipment	**32,630**	20,541	59	**82,344**	49,916	65
Corporate assets	**751**	94	699	**1,065**	701	52
Capital expenditures, before A&D [(1)]	**82,110**	98,287	-16	**235,328**	219,859	7
Property acquisitions	**161**	50	222	**1,316**	512	157
Property dispositions	**(161)**	(50)	222	**(543)**	(420)	29
Capital expenditures, net of A&D [(1)]	**82,110**	98,287	-16	**236,101**	219,951	7

(1) Refer to advisories regarding "Non-GAAP and Other Financial Measures".

Capital expenditures, before A&D, decreased 16% in the third quarter of 2024 compared to the same quarter in 2023 and increased 7% from the nine months ending September 30, 2024 versus the comparable period in 2023.

In the third quarter of 2024, drilling and completion costs of $48.5 million included the drilling of 10.2 net wells and completion of 7.2 net wells. For the nine months ended September 30, 2024, drilling and completion costs of $149.1 million included the drilling of 28.3 net wells, 1.0 net service well and the completion of 11.3 net wells in Alberta, and the drilling and completion of 8.0 net wells in British Columbia.

Kelt's facility, pipeline and well equipment spending in the third quarter of 2024 of $32.6 million focused on well equipment, pipeline construction and facility optimization work.

DRILLING

	Three months ended September 30			Nine months ended September 30		
Gross wells	**2024**	2023	%	**2024**	2023	**%**
Drilling	**11**	5	120	**31**	24	29
Completion	**8**	12	-33	**22**	19	16
Service	**-**	1	-100	**1**	2	-50
Net wells						
Drilling	**10.2**	4.0	155	**28.3**	23.0	23
Completion	**7.2**	11.0	-35	**19.3**	18.0	8
Service	**-**	1.0	-100	**1.0**	2.0	-50

CAPITAL RESOURCES AND LIQUIDITY

Kelt's objective is to maintain a flexible capital structure that provides sufficient liquidity for the Company to meet its obligations when due and to execute on its capital investment program. The Company manages its capital structure in response to changes in economic conditions and the risk characteristics of its underlying oil and natural gas assets.

The Company has a $150.0 million credit facility from a syndicate of financial institutions. At September 30, 2024, $45.4 million was drawn under the Credit Facility, with outstanding letters of credit of $2.6 million. The Credit Facility may be extended annually at Kelt's option and subject to lender approval, with a 364 day term-out period if not renewed.

Repayments of principal are not required provided that the borrowings under the facility do not exceed the authorized borrowing amount. The credit facility is subject to semi-annual redeterminations on or before June 30 and November 30 of each year. There are no financial covenants under the Credit Facility and Kelt is in compliance with all other covenants. Covenants include industry standard positive and negative covenants including reporting requirements, permitted indebtedness, permitted risk management activities, permitted encumbrances and other standard business operating covenants. Security is provided for by a demand debenture with a floating charge over all assets in the amount of $800.0 million.

Interest is payable monthly for borrowings through direct advances. Interest rates fluctuate based on the prime rate plus the applicable margin. The applicable margin ranges from 175 basis points to 375 basis points depending upon the Net Debt to Cash Flow ratio of between less than 0.5 times and three times. Under the Credit Facility, borrowings through the use of CORRA term loans are also available. Stamping fees fluctuate based on a pricing grid and range from 2.75% to 4.75%, depending upon the Net Debt to Cash Flow ratio of between less than 0.5 times and three times.

(CA$ thousands, except as otherwise indicated)	**September 30, 2024**	December 31, 2023
Bank debt	**45,428**	-
Accounts payable and accrued liabilities	**95,253**	85,171
Cash and cash equivalents	**(144)**	(14,340)
Accounts receivable and accrued sales	**(40,525)**	(52,646)
Prepaid expenses and deposits	**(4,123)**	(5,188)
Net debt [(1)]	**95,889**	12,997
Adjusted funds from operations [(1)(2)]	**219,190**	276,200
Net debt to adjusted funds from operations ratio [(1)]	**0.4**	0.0

(1) Refer to advisories regarding Capital Management Measures.

(2) 12-month trailing adjusted funds from operations.

The Company monitors its capital structure and short-term financing requirements using a net debt to adjusted funds from operations ratio, which is a non-GAAP financial measure. Kelt targets a net debt to adjusted funds from operations ratio of less than 2.0 times.

The Company may adjust its future capital structure and capital expenditures according to market conditions to maintain flexibility to achieve its objectives. In doing so, the Company may increase or decrease capital expenditures including acquisitions and dispositions, issue new shares, issue new debt or repay existing debt.

The table below outlines a contractual maturity analysis for Kelt's financial liabilities at September 30, 2024:

(CA$ thousands, unless otherwise indicated)	Within 1 Year	1 to 5 Years	More than 5 Years	**Total**
Accounts payable and accrued liabilities	95,253	-	-	**95,253**
Derivative financial instruments	152	-	-	**152**
Lease liability	1,683	241	-	**1,924**
Bank debt and estimated interest [(1)]	3,316	45,428	-	**48,744**
Total	**100,404**	**45,669**	**-**	**146,073**

(1) Estimated interest for future years related to the Credit Facility was calculated using the weighted average interest rate of 7.3% for the nine months ended September 30, 2024, applied to the principal balance outstanding as at that date.

COMMITMENTS

As of September 30, 2024, the Company is committed to future payments under the following agreements:

(CA$ thousands, unless otherwise indicated)	2024	2025	2026	2027	2028	Thereafter
Firm processing commitments	8,324	54,260	63,844	63,209	65,825	446,509
Firm transportation commitments	9,344	37,771	38,331	33,303	31,882	139,545
Total annual commitments	**17,668**	**92,031**	**102,175**	**96,512**	**97,707**	**586,054**

SHARE INFORMATION

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. At September 30, 2024 there were 196.4 million common shares issued and outstanding; there are no preferred shares issued or outstanding.

The Company's common shares trade on the TSX under the symbol "KEL". During the third quarter of 2024, 24.3 million common shares traded on the TSX at a weighted average price of $6.12 per common share compared to 24.4 million common shares traded on the TSX at a weighted average price of $6.61 per common share in the third quarter of 2023. Kelt's closing share price was $6.26 per common share on September 30, 2024, compared to $5.74 per common share on December 31, 2023.

At September 30, 2024, officers, directors, and employees have been granted options to purchase 10.2 million common shares of the Company at an average exercise price of $4.30 per common share. In addition, there are 1.8 million RSUs outstanding. Additional information regarding the Company's stock options and RSUs is included in note 8 of the interim financial statements.

OFF-BALANCE SHEET TRANSACTIONS

The Company did not engage in any off-balance sheet transactions during the periods ended September 30, 2024 and 2023.

SUMMARY OF QUARTERLY RESULTS

The following tables summarize the Company's financial and operating results over the past eight quarters:

(CA$ thousands, except as otherwise indicated)	**Q3 2024**	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Revenue	**94,985**	91,849	111,349	111,062	101,480	102,589	121,279	136,856
Cash provided by operating activities	**52,166**	46,419	62,493	62,477	52,424	68,163	100,160	63,742
Adjusted funds from operations [(1)]	**48,939**	42,457	61,176	66,618	58,772	58,810	92,000	92,851
Per share – basic ($/common share) [(1)]	**0.25**	0.22	0.31	0.34	0.30	0.31	0.48	0.48
Per share – diluted ($/common share) [(1)]	**0.24**	0.21	0.31	0.33	0.30	0.30	0.47	0.47
Net income and comprehensive net income	**8,871**	10,905	11,847	23,729	20,060	25,799	16,336	54,238
Per share – basic ($/common share)	**0.05**	0.06	0.06	0.12	0.10	0.13	0.09	0.28
Per share – diluted ($/common share)	**0.04**	0.05	0.06	0.12	0.10	0.13	0.08	0.28
Capital expenditures, net of A&D [(1)]	**82,110**	73,810	80,181	62,695	98,287	45,035	76,629	68,594
Total assets	**1,378,621**	1,328,148	1,282,456	1,260,292	1,222,412	1,174,609	1,174,489	1,128,104
Bank debt	**45,428**	12,611	-	-	-	-	-	11,300
Net debt (surplus) [(1)]	**95,889**	63,084	31,961	12,997	15,917	(18,580)	(4,899)	9,789
Shareholders' equity	**1,046,142**	1,033,204	1,018,604	1,003,663	976,146	948,215	919,809	901,424
Average daily production (BOE/d)	**32,378**	30,693	32,910	32,344	28,179	29,705	31,833	28,036
Combined net realized price ($/BOE) [(1)(2)]	**35.86**	37.18	40.59	41.78	42.68	38.64	54.00	57.57
Operating netback ($/BOE) [(1)]	**17.91**	16.55	21.69	23.49	23.36	22.55	33.27	37.49
Operating netback % of combined net realized price [(2)]	**50%**	45%	53%	56%	55%	58%	62%	65%

(1) Refer to advisories regarding *"*Non-GAAP and Other Financial Measures*"*.

(2) In this table, combined net realized prices are after derivative financial instruments.

In 2023 and into 2024, crude oil demand and supply remained relatively balanced, as additional production from non-OPEC countries was offset by OPEC+ production curtailments, resulting in a range bound crude oil benchmark price. In the third quarter of 2024, OPEC+ discussions around a potential reduction of its production curtailments starting in 2025 resulted in downward pressure on the benchmark crude oil prices as worries of supply outpacing demand in 2025 outweighed increasing geopolitical tensions in the middle east.

North American benchmark natural gas prices at the end of 2022 and into 2023 were impacted by the shut-in of a US LNG export facility, resulting in rising US inventory levels. The higher than historical average inventory levels continued in 2023 and into 2024 with a warmer than average 2023/2024 winter and record high North American natural gas production. Canadian benchmark natural gas prices had additional downward pressure in 2024 as natural gas inventory levels were significantly higher than historical averages while nearing the maximum storage levels available in Western Canada.

Kelt's business objective is for long-term profitable growth by implementing a full cycle exploration and development program. Over the past eight quarters, Kelt has focused its cash provided from operating activities on its development capital program which has resulted in higher average daily production and adjusted funds from operations.

Refer to the *"Financial and Operating Summary"* section of this MD&A for further discussion. Additional information relating to Kelt, including the Company's MD&A for previous quarters, is filed on SEDAR+ and can be viewed at www.sedarplus.ca.

OUTLOOK AND GUIDANCE

The table below outlines the Company's forecast assumptions and expected financial and operating results for 2024 with a comparison to the current and previous 2024 guidance issued on August 8, 2024:

(CA$ millions, except as otherwise indicated)	**Updated 2024 Forecast**	Previous 2024 Forecast (Aug 8, 2024)	% Change
Average Production [2]			
Oil and NGLs (bbls/d)	**11,900 – 12,600**	13,000 – 14,000	-9
Gas (MMcf/d)	**120.6 – 125.4**	126.0 – 132.0	-5
Combined (BOE/d)	**32,000 – 33,500**	34,000 – 36,000	-6
Forecasted Average Commodity Prices			
WTI oil price (US$/bbl)	**76.75**	81.00	-5
Canadian Light Sweet ($/bbl)	**98.71**	104.55	-6
NYMEX natural gas price (US$/MMBtu)	**2.30**	2.35	-2
AECO natural gas price ($/GJ)	**1.49**	1.68	-12
Station 2 natural gas price ($/GJ)	**1.30**	1.55	-16
Average Exchange Rate (US$/CA$)	**0.7315**	0.7310	-
Capital expenditures, net of A&D [1]	**325.0**	325.0	-
Petroleum and natural gas sales	**478.4**	552.0	-13
Adjusted funds from operations [1]	**221.5**	270.0	-18
Per common share, diluted [1]	**1.11**	1.35	-18
Net debt (surplus) [1]	**117.0**	68.0	72
Weighted average common shares outstanding (millions) [1]	**195.6**	195.5	-

(1) Refer to advisories regarding "Non-GAAP and Other Financial Measures".

(2) Percent change for production is calculated on the mid-point of each production range.

Forecasted average production for 2024 is estimated to be approximately 32,000 to 33,500 BOE per day, a decrease of 6% from the previous 2024 forecasted production. The decrease in forecasted production is a result of a delay in the start-up of a third-party natural gas processing facility at Wembley.

WTI crude oil prices are forecasted to average US$76.75 per barrel, a decrease of 5% from the Company's previous guidance. Forecasted AECO natural gas prices have been revised downward by 12% to average $1.49 per GJ, and forecasted Station 2 natural gas prices has been revised down 16% to average $1.30 per GJ. After giving effect to the changes in production and commodity price assumptions, Kelt is forecasting adjusted funds from operations to be $221.5 million, a decrease of 18% from its previous forecast of $270.0 million.

Capital expenditures, net of A&D remained unchanged at $325.0 million for 2024. Net debt at December 31, 2024 is estimated to be $117.0 million, an increase from $68.0 million in the previous guidance.

SIGNIFICANT JUDGMENTS AND ESTIMATES

The timely preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ materially from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are reviewed and for any future years affected. Significant judgments, estimates and assumptions made by management in these financial statements are outlined in note 2 of the December 31, 2023 audited annual consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures as defined in National Instrument 52-109 of the Canadian Securities Administrators, to provide reasonable assurance that: (i) material information relating to the Company is made known to the CEO and the CFO by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The CEO and the CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting as defined in National Instrument 52-109 of the Canadian Securities Administrators, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes to the Company's internal controls over financial reporting during the interim period from July 1, 2024 to September 30, 2024 that have materially affected, or are reasonably likely to materially affect the Company's internal controls over financial reporting.

Due to its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation relating to the effectiveness in future periods are subject to the risk that controls may become inadequate as a result of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

NON-GAAP AND OTHER FINANCIAL MEASURES

This MD&A contains certain non-GAAP financial measures and other specified financial measures, as described below, which do not have standardized meanings prescribed by GAAP and do not have standardized meanings under the applicable securities legislation. As these non-GAAP, and other specified financial 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.

NON-GAAP FINANCIAL MEASURES

P&NG sales after cost of purchases

Throughout this MD&A, reference is made to "P&NG sales" and "P&NG sales after cost of purchases". P&NG sales is as reported in the consolidated financial statements in accordance with GAAP and is before realized gains or losses on derivative financial instruments. P&NG sales after cost of purchases includes P&NG sales (in accordance with GAAP), net of the cost of third-party volumes purchases. P&NG sales after cost of purchases are used by management to assess the Company's sales from its core operations, which the Company believes may be a better indicator of historical and future performance.

See the "Petroleum and Natural Gas Sales" section of this MD&A which provides a reconciliation of "P&NG sales after cost of purchases to P&NG sales.

Net realized price

Net realized price is a non-GAAP measure and is calculated by dividing the Company's P&NG sales after cost of purchases by the Company's production and reflects Kelt's realized selling prices plus the net benefit of oil blending and third-party natural gas sales. 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 P&NG sales as reported in the Consolidated Statement of Net Income and Comprehensive Net Income 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, and excludes the sale of third-party marketing volumes, management believes that disclosing its net realized prices based on P&NG

sales after cost of purchases is more appropriate and useful, because the cost of third-party volumes purchased to generate the incremental marketing revenue has been deducted.

Combined net realized prices referenced throughout this MD&A are before derivative financial instruments, except as otherwise indicated as being after derivative financial instruments.

See the "Petroleum and Natural Gas Sales" section of this MD&A which provides a reconciliation of the net realized price to P&NG sales, which is a GAAP measure.

Operating income and operating netback

Operating income is a non-GAAP measure 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 derivative financial instruments. The Company also presents operating income on a per BOE basis, referred to as "operating netback" or "operating income per BOE", which allows management to better analyze performance against prior periods, on a comparable basis, and is a key industry performance measure of operational efficiency.

See the "Adjusted Funds from Operations" section of this MD&A which provides a reconciliation of the operating income and operating netback from P&NG sales, which is a GAAP measure.

Capital expenditures

"Capital expenditures, before A&D" and "Capital expenditures, net of A&D" are measures the Company uses to monitor its investment in exploration and evaluation, investment in property plant and equipment, and net investment in acquisition and disposition activities. The most directly comparable GAAP measure is "Cash used in investing activities", and is calculated as follows:

	Three months ended September 30		Nine months ended September 30	
(CA$ thousands, except as otherwise indicated)	**2024**	2023	**2024**	2023
Cash used in investing activities	**86,896**	68,613	**224,507**	183,161
Change in non-cash investing working capital	**(4,786)**	29,674	**11,594**	36,790
Capital expenditures, net of A&D	**82,110**	98,287	**236,101**	219,951
Acquisitions	**-**	-	**(773)**	(92)
Capital expenditures, before A&D	**82,110**	98,287	**235,328**	219,859

CAPITAL MANAGEMENT MEASURES

Funds from operations and adjusted funds from operations

Management considers funds from operations and adjusted funds from operations as a key capital management measure as it demonstrates the Company's ability to meet its financial obligations and cash flow available to fund its capital program. Funds from operations and adjusted funds from operations are not standardized measures and therefore may not be comparable with the calculation of similar measures by other entities. The most comparable GAAP measure is "Cash provided by operating activities". Funds from operations and adjusted funds from operations are calculated as follows:

	Three months ended September 30		Nine months ended September 30	
(CA$ thousands, except as otherwise indicated)	**2024**	2023	**2024**	2023
Cash provided by operating activities	**52,166**	52,424	**161,078**	220,747
Change in non-cash working capital	**(4,407)**	5,492	**(11,674)**	(13,259)
Funds from operations	**47,759**	57,916	**149,404**	207,488
Settlement of decommissioning obligations	**1,180**	856	**3,168**	2,094
Adjusted funds from operations	**48,939**	58,772	**152,572**	209,582

Net debt (surplus) and net debt (surplus) to adjusted funds from operations ratio

Management considers net debt (surplus) and net debt (surplus) to adjusted funds from operations ratio as key capital management measures to assess the Company's liquidity at a point in time and to monitor its capital structure and short-term financing requirements. The "net debt (surplus) to adjusted funds from operations ratio" is also indicative of the "net debt to cash flow ratio" 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).

"Net debt (surplus)" is equal to bank debt, accounts payable and accrued liabilities, net of cash and cash equivalents, accounts receivables and accrued sales and prepaid expenses and deposits. The Company believes that using a "Net debt (surplus)" non-GAAP measure, which excludes non-cash derivative financial instruments, non-cash lease liabilities, and non-cash decommissioning obligations, provides investors with more useful information to understand the Company's cash liquidity risk.

See the "Capital Resources and Liquidity" section of this MD&A for calculation of the Net debt and net debt to adjusted funds from operations ratio.

SUPPLEMENTARY FINANICAL MEASURES

"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.

P&NG sales, cost of purchases, gain (loss) on financial instruments, royalties, production expenses, transportation expenses, financing expenses, gross and net G&A expenses, realized loss (gain) on foreign exchange, other income (expense), share based compensation expense, and depletion and depreciation expense on a $/BOE basis is calculated by dividing the amounts by the Company's total production over the period.

Adjusted funds from operations per share (basic and diluted), and net income and comprehensive net income per share (basic and diluted) is calculated by dividing the amounts by the basic weighted average common shares outstanding.

BUSINESS RISKS

The business of exploration, development, production and acquisition of oil and gas reserves involves a number of uncertainties. As a result, the Company is exposed to certain business risks inherent in the oil and gas industry which may impact the Company's operations or financial results. A discussion of business risks, as well as economic and industry factors affecting the Company is included in Kelt's annual MD&A for the year ended December 31, 2023, dated March 7, 2024.

Additional information is included in Kelt's Annual Information Form dated March 7, 2024 which can be found at www.sedarplus.ca.

SUSTAINABILITY STANDARDS

On June 26, 2023 the International Sustainability Standards Board ("ISSB") issued its first two sustainability standards, IFRS S1 and IFRS S2, which deal with general requirements for sustainability disclosure and climate-related disclosure. There are several hurdles before the ISSB standards move from being voluntary to having the force of law in Canada. The Canadian Securities Administrators ("CSA") have indicated that they intend to engage and collaborate with the Canadian Sustainability Standard Board ("CSSB") on a review of the ISSB standards and proposed National Instrument 51-107. Although it is likely the CSSB will start with the ISSB standards, the extent that the final CSSB standards will differ from those issued by the ISSB is unknown.

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

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 2024. Readers are cautioned that this financial outlook may not be appropriate for other purposes.

Certain information with respect to Kelt contained herein, including management's assessment of future plans and

operations, contains forward-looking statements. These forward-looking statements are based on assumptions and are subject to numerous risks and uncertainties, many of which are beyond Kelt'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. As a result, Kelt's actual results, performance or achievement could differ materially from those expressed in, 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.

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.

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and NGL reserves, and the future net revenue attributed to such reserves, including many factors beyond the control of Kelt. The reserves and associated future net revenue information set forth in this MD&A are estimates only. In general, estimates of economically recoverable oil, natural gas and NGLs reserves and the future net revenue therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserves recovery, the timing and amount of capital expenditures, marketability of oil, natural gas and NGLs, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results. For these reasons, estimates of the economically recoverable oil, natural gas and NGLs reserves attributable to any particular group of properties, the classification of such reserves based on risk of recovery and estimates of future net revenue associated with reserves prepared by different engineers, or by the same engineer at different times, may vary.

Kelt's actual production, revenue, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material. It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to the Corporation's reserves estimated by the Corporation's independent qualified reserves evaluators represent the fair market value of those reserves. There is no assurance that the forecast prices and costs assumptions will be attained, and variances could be material. Actual oil, natural gas and NGLs reserves may be greater than or less than the estimates provided herein, and variances could be material.

With respect to the disclosure of reserves contained herein relating to portions of Kelt's properties, the estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation. Unless otherwise stated all references to "reserves" are to Kelt's gross company reserves before deduction of royalties and without including and royalty interests of Kelt. It should not be assumed that the undiscounted or discounted net present value of the Company's reserves, as determined by Sproule, represents the fair value of those reserve estimates.

This MD&A 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", "potentially" and similar expressions are intended to identify forward-looking information or statements. In particular, this MD&A contains forward-looking statements pertaining to the following: Kelt's expected price realizations and future commodity prices; its expected oil and NGLs weighting; the start-up date of the postponed wells; the cost and timing of future capital expenditures and expected results; the expected timing of wells bring brought on-production; the expected timing of production additions from capital expenditures; the ability to show significant production growth; the expected reductions in drill and complete costs; the expected timing and processing capacity from the start-up of a third party facility; the expected timing of when the Company shoots its 3-D seismic program; the delayed production volumes at Wembley/Pipestone being brought on-stream in the first quarter of 2025; the estimated 9,000 to 12,000 BOE per day of shut-in production and new production ready to be brought on-stream; and the Company's expected future financial position and operating results.

References herein to the IP30 and IP365 production rates are useful in confirming the presence of hydrocarbons, however the production rates are over a short period of time and, therefore, are not necessarily indicative of average daily production, long-term performance or of ultimate recovery from the wells. Readers are cautioned not to place

reliance on such rates in calculating aggregate production for the assets for which such rates are provided.

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, 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; the ability to access sufficient water or other fluids needed for completion operations; and the ability to access sufficient capital. We caution that the foregoing list of risks and uncertainties is not exhaustive.

ADDITIONAL INFORMATION

Additional information relating to Kelt, including the Company’s Annual Information Form (“AIF”) dated March 7, 2024 is filed on SEDAR+ and can be viewed on their website at www.sedarplus.ca. Copies of the AIF can also be obtained by contacting Sadiq H. Lalani, Vice President and Chief Financial Officer at Kelt Exploration Ltd., Suite 300, 311 Sixth Avenue SW, Calgary, Alberta, Canada, T2P 3H2. Further information relating to Kelt is also available on its website at www.keltexploration.com.

KELT EXPLORATION LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
[UNAUDITED]

(CA$ thousands)	[Notes]	**September 30, 2024**	December 31, 2023
ASSETS			
Current assets			
Cash and cash equivalents		**144**	14,340
Accounts receivable and accrued sales	[9]	**40,525**	52,646
Prepaid expenses and deposits		**4,123**	5,188
Derivative financial instruments	[9]	**5,831**	3,974
Total current assets		**50,623**	76,148
Derivative financial instruments	[9]	**-**	570
Exploration and evaluation assets	[4]	**18,044**	17,162
Property, plant and equipment	[5]	**1,309,954**	1,166,412
Total assets		**1,378,621**	1,260,292
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	[9]	**95,253**	85,171
Derivative financial instruments	[9]	**152**	585
Decommissioning obligations	[7]	**4,876**	4,360
Lease liability		**1,683**	1,125
Total current liabilities		**101,964**	91,241
Bank debt	[6]	**45,428**	-
Decommissioning obligations	[7]	**102,545**	95,555
Lease liability		**241**	332
Deferred income tax liability		**82,301**	69,501
Total liabilities		**332,479**	256,629
SHAREHOLDERS' EQUITY			
Shareholders' capital	[8]	**1,182,985**	1,175,465
Contributed surplus and reserve		**(8,674)**	(12,010)
Deficit		**(128,169)**	(159,792)
Total shareholders' equity		**1,046,142**	1,003,663
Total liabilities and shareholders' equity		**1,378,621**	1,260,292

Commitments [12]

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

On behalf of the Board of Directors:

[signed] *[signed]*

David J. Wilson, Director Neil G. Sinclair, Director

KELT EXPLORATION LTD.
CONSOLIDATED STATEMENTS OF NET INCOME AND COMPREHENSIVE NET INCOME
[UNAUDITED]

		Three months ended September 30		Nine months ended September 30	
(CA$ thousands, except per share amounts)	[Notes]	**2024**	2023	**2024**	2023
Revenue					
Petroleum and natural gas sales	[10]	**107,884**	116,948	**343,368**	366,580
Royalties		**(12,899)**	(15,468)	**(45,185)**	(41,232)
		94,985	101,480	**298,183**	325,348
Expenses					
Production		**30,533**	24,809	**92,120**	83,760
Transportation		**10,046**	9,787	**30,427**	27,978
Cost of purchases		**3,728**	4,671	**13,060**	11,613
Financing	[11]	**1,895**	1,054	**4,490**	3,105
General and administrative		**3,245**	2,082	**9,786**	7,336
Share based compensation	[8]	**2,321**	1,849	**6,497**	5,710
Exploration and evaluation	[4]	**-**	-	**145**	1,313
Depletion and depreciation	[5]	**35,187**	29,927	**100,955**	92,974
		86,955	74,179	**257,480**	233,789
Gain (loss) on derivative financial instruments	[9]	**3,898**	(1,339)	**3,623**	(9,845)
Foreign exchange gain (loss)		**(67)**	115	**(15)**	(2)
Other income		**5**	506	**114**	1,091
Net income before taxes		**11,866**	26,583	**44,425**	82,803
Deferred income tax expense		**(2,995)**	(6,523)	**(12,802)**	(20,608)
Net income and comprehensive net income		**8,871**	20,060	**31,623**	62,195
Net income per common share					
Basic		**0.05**	0.10	**0.16**	0.32
Diluted		**0.04**	0.10	**0.16**	0.32

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

KELT EXPLORATION LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
[UNAUDITED]

(CA$ thousands)	[Notes]	Shareholders' capital: Number of Shares (000s)	Shareholders' capital: Amount ($ thousands)	Contributed surplus and reserve	Retained earnings (deficit)	Total shareholders' equity
Balance at December 31, 2023		194,506	1,175,465	(12,010)	(159,792)	1,003,663
Net income and comprehensive net income		-	-	-	31,623	31,623
Exercise of stock options	[8]	1,463	6,127	(1,768)	-	4,359
Vesting of restricted share units	[8]	408	1,393	(1,393)	-	-
Share based compensation	[8]	-	-	6,497	-	6,497
Balance at September 30, 2024		**196,377**	**1,182,985**	**(8,674)**	**(128,169)**	**1,046,142**

(CA$ thousands)	[Notes]	Shareholders' capital: Number of Shares (000s)	Shareholders' capital: Amount ($ thousands)	Contributed surplus and reserve	Retained earnings (deficit)	Total shareholders' equity
Balance at December 31, 2022		192,014	1,162,650	(15,460)	(245,766)	901,424
Net income and comprehensive net income		-	-	-	62,195	62,195
Exercise of stock options	[8]	1,793	9,597	(2,780)	-	6,817
Vesting of restricted share units	[8]	344	968	(968)	-	-
Share based compensation	[8]	-	-	5,710	-	5,710
Balance at September 30, 2023		194,151	1,173,215	(13,498)	(183,571)	976,146

The accompanying notes form an integral part of these condensed consolidated interim financial statements

KELT EXPLORATION LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
[UNAUDITED]

		Three months ended September 30		Nine months ended September 30	
(CA$ thousands)	[Notes]	**2024**	2023	**2024**	2023
Operating activities					
Net income and comprehensive net income		**8,871**	20,060	**31,623**	62,195
Items not affecting cash:					
Accretion	[11]	**817**	724	**2,273**	2,139
Share based compensation		**2,321**	1,849	**6,497**	5,710
Exploration and evaluation		**-**	-	**145**	1,313
Depletion and depreciation		**35,187**	29,927	**100,955**	92,974
Unrealized (gain) loss on derivative financial instruments	[9]	**(1,252)**	(311)	**(1,723)**	24,643
Deferred income tax expense		**2,995**	6,523	**12,802**	20,608
Settlement of decommissioning obligations	[7]	**(1,180)**	(856)	**(3,168)**	(2,094)
Change in non-cash operating working capital	[13]	**4,407**	(5,492)	**11,674**	13,259
Cash provided by operating activities		**52,166**	52,424	**161,078**	220,747
Financing activities					
Increase (decrease) in bank debt		**32,817**	-	**45,428**	(11,300)
Proceeds on exercise of stock options	[8]	**1,746**	6,022	**4,359**	6,817
Repayment of lease liability principal		**(200)**	(148)	**(554)**	(482)
Cash provided by (used in) financing activities		**34,363**	5,874	**49,233**	(4,965)
Investing activities					
Exploration and evaluation assets	[4]	**(200)**	(749)	**(2,844)**	(5,897)
Property, plant and equipment	[5]	**(81,910)**	(97,538)	**(232,484)**	(213,962)
Acquisitions		**-**	-	**(773)**	(92)
Change in non-cash investing working capital	[13]	**(4,786)**	29,674	**11,594**	36,790
Cash used in investing activities		**(86,896)**	(68,613)	**(224,507)**	(183,161)
Net change in cash and cash equivalents		**(367)**	(10,315)	**(14,196)**	32,621
Cash and cash equivalents, beginning of period		**511**	43,061	**14,340**	125
Cash and cash equivalents, end of period		**144**	32,746	**144**	32,746

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

(All tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

1. DESCRIPTION OF THE BUSINESS

Kelt Exploration Ltd. ("Kelt" or the "Company") is an oil and gas company based in Calgary, Alberta, focused on the exploration, development and production of crude oil and natural gas resources in northwestern Alberta and northeastern British Columbia. The Company's British Columbia assets are operated by Kelt Exploration (LNG) Ltd. ("Kelt LNG"), a wholly owned subsidiary of Kelt. The Company's common shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "KEL".

The head office of Kelt is located at Suite 300, 311 - 6th Avenue S.W., Calgary, Alberta T2P 3H2.

2. BASIS OF PRESENTATION

The Company's Board of Directors approved and authorized these condensed consolidated interim financial statements on November 6, 2024.

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), applicable to the preparation of interim financial statements, including IAS 34 *Interim Financial Reporting*. Certain disclosures included in the notes to the financial statements have been condensed in the following note disclosures or have been disclosed on an annual basis only. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the audited annual consolidated financial statements as at and for the year ended December 31, 2023.

b) Basis of measurement

All references to dollar amounts in these financial statements and related notes are thousands of Canadian dollars, unless otherwise indicated.

The financial statements have been prepared on a historical cost basis, except for certain financial instruments which are recorded at fair value. The methods used to measure fair values are described in note 9 of these financial statements.

c) Significant Judgements and Estimates

The timely preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ materially from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are reviewed and for any future years affected. Significant judgments, estimates and assumptions made by management in these financial statements are outlined in note 2 of the December 31, 2023 audited annual consolidated financial statements.

These estimates require assumptions for future commodity prices, exchange rates, interest rates, future oil and natural gas production, and other economic issues that have a high degree of uncertainty.

3. MATERIAL ACCOUNTING POLICIES

The material accounting policies applied by the Company are described in note 3 of the December 31, 2023 audited annual consolidated financial statements. These condensed consolidated interim financial statements as at September 30, 2024 have been prepared following the same accounting policies and methods of computation as the most recent audited annual consolidated financial statements as at and for the year ended December 31, 2023.

The IASB issued amendments to IAS 1 "Presentation of financial statements" which is effective for annual periods beginning on or after January 1, 2024. The amendments clarified how an entity classifies debt and other financial liabilities as current or non-current in certain circumstances. These amendments to IAS 1 did not have any impact on the Company's financial statements.

4. EXPLORATION AND EVALUATION ASSETS

The following table reconciles movements of exploration and evaluation assets:

	September 30, 2024	December 31, 2023
Balance, beginning of period	**17,162**	16,843
Additions	**2,844**	6,115
Acquisitions	**-**	150
Transfers to property, plant and equipment	**(1,817)**	(4,533)
Exploration and evaluation expense	**(145)**	(1,413)
Balance, end of period	**18,044**	17,162

5. PROPERTY, PLANT AND EQUIPMENT

Net carrying value	**September 30, 2024**	December 31, 2023
Development and production ("D&P") assets	**1,306,817**	1,164,248
Right-of-use ("ROU") assets	**2,082**	1,589
Corporate assets	**1,055**	575
Total net carrying value of property, plant and equipment	**1,309,954**	1,166,412

The following table reconciles movements of property, plant and equipment ("PP&E") during the period:

Property, plant and equipment, at cost	D&P Assets	Corporate Assets	ROU Assets	Total PP&E
Balance at December 31, 2022	1,764,843	7,153	3,581	1,775,577
Additions	275,724	755	1,036	277,515
Acquisitions	7,137	-	-	7,137
Dispositions	(6,920)	-	-	(6,920)
Change in decommissioning obligations	12,676	-	-	12,676
Transfers from E&E	4,533	-	-	4,533
Balance at December 31, 2023	**2,057,993**	**7,908**	**4,617**	**2,070,518**
Additions	**230,736**	**1,065**	**1,619**	**233,420**
Transfers from ROU assets	**683**	**-**	**(683)**	**-**
Acquisitions	**1,329**	**-**	**-**	**1,329**
Dispositions	**(605)**	**-**	**-**	**(605)**
Change in decommissioning obligations	**8,450**	**-**	**-**	**8,450**
Transfers from E&E	**1,817**	**-**	**-**	**1,817**
Balance at September 30, 2024	**2,300,403**	**8,973**	**5,553**	**2,314,929**

Accumulated depletion and depreciation	D&P Assets	Corporate Assets	ROU Assets	Total PP&E
Balance at December 31, 2022	769,379	6,522	2,392	778,293
Depletion and depreciation expense	124,366	811	636	125,813
Balance at December 31, 2023	**893,745**	**7,333**	**3,028**	**904,106**
Depletion and depreciation expense	**99,841**	**585**	**529**	**100,955**
Dispositions	**-**	**-**	**(86)**	**(86)**
Balance at September 30, 2024	**993,586**	**7,918**	**3,471**	**1,004,975**

In the nine months ended September 30, 2024, the Company closed $0.5 million of non-cash property plant and equipment swap transactions, and in the fourth quarter of 2023 the Company closed a non-cash property plant and equipment swap transaction for $6.5 million.

Future capital costs required to develop proved reserves in the amount of $1,674.6 million (December 31, 2023 – $1,768.4 million) are included in the depletion calculation for development and production assets.

As at September 30, 2024, the Company concluded that there were no indicators of impairment for the Alberta cash generating unit ("CGU") and the BC CGU.

6. BANK DEBT

At September 30, 2024, the Company has a $150.0 million credit facility from a syndicate of financial institutions. As at September 30, 2024, $45.4 million was drawn under the Credit Facility, with outstanding letters of credit of $2.6 million. The Credit Facility may be extended annually at Kelt's option and subject to lender approval, with a 364 day term-out period if not renewed.

Repayments of principal are not required provided that the borrowings under the facility do not exceed the authorized borrowing amount. The credit facility is subject to semi-annual redeterminations on or before June 30 and November 30 of each year. There are no financial covenants under the Credit Facility and Kelt is in compliance with all other covenants. Covenants include industry standard positive and negative covenants including reporting requirements, permitted indebtedness, permitted risk management activities, permitted encumbrances and other standard business operating covenants. Security is provided for by a demand debenture with a floating charge over all assets in the amount of $800.0 million.

Interest is payable monthly for borrowings through direct advances. Interest rates fluctuate based on the prime rate plus the applicable margin. The applicable margin ranges from 175 basis points to 375 basis points depending upon the Net Debt to Cash Flow ratio of between less than 0.5 times and three times. Under the Credit Facility, borrowings through the use of benchmark loans are also available. Stamping fees fluctuate based on a pricing grid and range from 2.75% to 4.75%, depending upon the Net Debt to Cash Flow ratio of between less than 0.5 times and three times.

7. DECOMMISSIONING OBLIGATIONS

Decommissioning obligations arise as a result of the Company's net ownership interests in petroleum and natural gas assets including well sites, processing facilities and infrastructure. The following table provides a reconciliation of the carrying amount of the obligation associated with the retirement of oil and gas properties:

	September 30, 2024	December 31, 2023
Balance, beginning of period	**99,915**	88,632
Obligations incurred	**2,996**	1,927
Obligations acquired	**13**	265
Obligations disposed	**(62)**	-
Obligations settled	**(3,168)**	(4,538)
Changes in discount rate	**(1,944)**	6,308
Revisions to estimates	**7,398**	4,441
Accretion expense	**2,273**	2,880
Balance, end of period	**107,421**	99,915
Decommissioning obligations – current	**4,876**	4,360
Decommissioning obligations – non-current	**102,545**	95,555
Key assumptions		
Risk free rate	**3.1%**	3.0%
Inflation rate	**2.0%**	2.0%

The underlying cost estimates are derived from a combination of published industry benchmarks as well as site specific information. As at September 30, 2024 the undiscounted amount of the estimated cash flows required to settle the obligation is $145.6 million (December 31, 2023 – $131.2 million) and is expected to be incurred over the next 50 years. Based on an inflation rate of 2%, the undiscounted amount of the estimated future cash flows required to settle the obligation is $270.9 million at September 30, 2024 (December 31, 2023 – $242.3 million). The inflated future cost estimates are discounted based on a risk-free rate to determine the carrying amounts presented in the table above.

Accretion of the decommissioning obligation due to the passage of time is presented within financing expenses in the Consolidated Statement of Net Income and Comprehensive Net Income (note 11).

8. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, each without par value.

Issued and outstanding

The following table summarizes the change in common shares issued and outstanding. There are no preferred shares issued or outstanding as of September 30, 2024 (December 31, 2023 – nil).

	Number of Shares (000s)	Amount ($ thousands)
Balance at December 31, 2022	192,014	1,162,650
Issued on exercise of stock options	2,145	8,403
Transfer from contributed surplus on exercise of stock options	-	3,429
Released upon vesting of restricted share units	347	983
Balance at December 31, 2023	**194,506**	**1,175,465**
Issued on exercise of stock options	**1,463**	**4,359**
Transfer from contributed surplus on exercise of stock options	**-**	**1,768**
Released upon vesting of restricted share units	**408**	**1,393**
Balance at September 30, 2024	**196,377**	**1,182,985**

Stock options

The Incentive Stock Option Plan (the "Option Plan") includes stock options which may be granted to directors, officers and employees. The stock options granted pursuant to the Option Plan are to be settled through the issuance of new common shares of the Company which vest in equal tranches over a three year period and have a maximum term of five years to expiry.

The following table summarizes the change in stock options outstanding:

	Number of Options (000s)	Average Exercise Price ($/share)
Balance at December 31, 2022	10,532	3.71
Granted	2,005	4.94
Exercised [1]	(2,145)	3.92
Forfeited	(428)	5.53
Expired	(267)	7.35
Balance at December 31, 2023	**9,697**	**3.74**
Granted	**2,185**	**6.06**
Exercised [1]	**(1,463)**	**2.98**
Forfeited	**(190)**	**6.23**
Balance at September 30, 2024	**10,229**	**4.30**

(1) The weighted average share price on the date stock options were exercised during the period ended September 30, 2024 was $6.03 per common share ($6.54 per common share on average during the year ended December 31, 2023).

The total fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions as follows:

	Nine months ended September 30	
	2024	2023
Risk free interest rate	**3.87%**	3.21%
Expected life (years)	**3.5**	3.4
Expected volatility [1]	**53.0%**	66.7%
Expected dividend yield	**0.0%**	0.0%
Expected forfeiture rate	**5.1%**	5.1%
Fair value of options granted during the period ($/share)	**2.54**	2.29

(1) The expected volatility for options granted is estimated based on Kelt's historical share price volatility.

The following table summarizes information regarding stock options outstanding at September 30, 2024:

Range of exercise prices per common share	Number of options outstanding (000s)	Weighted average remaining term (years)	Weighted average exercise price for options outstanding ($/share)	Number of options exercisable (000s)	Weighted average exercise price for options exercisable ($/share)
$0.00 to $2.00	1,514	0.5	1.00	1,514	1.00
$2.01 to $4.00	1,870	1.5	2.74	1,870	2.74
$4.01 to $6.00	4,518	2.8	5.09	2,368	5.18
$6.01 to $8.00	2,327	4.4	6.16	85	6.57
Total	**10,229**	**2.6**	**4.30**	**5,837**	**3.33**

Restricted share units

The restricted share unit plan includes restricted share units ("RSUs") that may be granted to officers and employees. The RSUs granted under the RSU Plan are to be settled through the issuance of new common shares upon vesting. RSUs vest in two equal tranches with the first half vesting after two years and the second half after three years.

The following table summarizes the change in RSUs outstanding:

	Number of RSUs (000s)
Balance at December 31, 2022	873
Granted	1,284
Released upon vesting	(347)
Forfeited	(68)
Balance at December 31, 2023	**1,742**
Granted	**537**
Released upon vesting	**(408)**
Forfeited	**(54)**
Balance at September 30, 2024	**1,817**

The total fair value associated with stock options and RSUs is recognized over the service period using graded vesting, resulting in share based compensation expense as follows:

	Three months ended September 30		Nine months ended September 30	
	2024	2023	**2024**	2023
Stock options	**1,367**	1,156	**3,890**	3,970
Restricted share units	**954**	693	**2,607**	1,740
Total share based compensation expense	**2,321**	1,849	**6,497**	5,710

Per share amounts

The table below summarizes the weighted average number of common shares outstanding used in the calculation of basic and diluted net income per common share:

	Three months ended September 30		Nine months ended September 30	
(000s of common shares)	**2024**	2023	**2024**	2023
Weighted average common shares outstanding, basic	**196,084**	193,477	**195,437**	192,697
Effect of stock options and RSUs	**3,931**	4,670	**3,820**	3,708
Weighted average common shares outstanding, diluted	**200,015**	198,147	**199,257**	196,405

The treasury stock method is used to determine the dilutive effect of stock options and RSUs. Under this method, only "in-the-money" dilutive instruments impact the calculation of diluted net income per common share.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments of the Company include cash and cash equivalents, accounts receivable and accrued sales, deposits, accounts payable and accrued liabilities, derivative financial instruments, lease liabilities and bank debt. The Company is exposed to financial risks arising from its financial assets and liabilities that include credit and liquidity risk in addition to the market risks associated with commodity prices, and interest and foreign exchange rates. Net income, cash flows and the fair value of financial assets and liabilities may fluctuate due to movement in market prices or as a result of the Company's exposure to credit and liquidity risks.

The objective of the Company's risk management is to manage and control market risk exposures within acceptable limits, while maximizing long-term returns. All such transactions are conducted in accordance with the Company's risk management policy that permits management to enter into commodity price agreements, provided that:

i) the contracts are not entered into for speculative purposes;
ii) the total notional quantity hedged, at the time of entering the contract, does not exceed 65% of average daily production; and
iii) the contracted term does not exceed 36 months.

Commodity price risk

Inherent to the business of producing oil and gas, cash provided by operating activities is subject to commodity price risk. Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices are impacted by economic events that dictate the levels of supply and demand as well as the currency exchange rate relationship between the Canadian and U.S. dollar.

As of September 30, 2024, the following commodity price derivative financial instrument contracts are outstanding:

NGL derivative financial instrument swap contracts

Contract Type	Notional Volume	Contract Price	Remaining Term
OPIS-Conway propane fixed price swap	250 bbl/d	USD$34.44/bbl	Oct 24 – Mar 25
OPIS-Conway propane basis swap	250 bbl/d	Monthly OPIS-Conway basis calculated at 43.5% of the floating monthly WTI price	Oct 24 – Mar 25

Natural gas derivative financial instrument contracts

Contract Type (1)	Notional Volume	Contract Price $/MMBtu	Remaining Term
NYMEX-AECO 7A basis swap	10,000 MMBtu/d	Monthly AECO basis calculated at 30% of the floating monthly NYMEX price	Oct 24
NYMEX-AECO 7A basis swap	10,000 MMBtu/d	NYMEX less USD$1.06	Oct 24 – Mar 25
NYMEX-AECO 5A basis swap	30,000 MMBtu/d	NYMEX less USD$1.10	Nov 24 – Mar 25

(1) NYMEX Henry Hub ("NYMEX")

Natural gas embedded derivative

Contract Type	Notional Volume	Contract Price (1)	Remaining Term
Physical delivery contract	2,513 GJ/d	Floating AESO power pool price (CAD/MWh) divided by the Fixed Heat Rate of 17.95 GJ/MWh	Jan 25 – Dec 26

(1) Alberta Electric System Operator ("AESO")

The Company entered into a two-year natural gas supply agreement to deliver 2,513 GJ/d of gas to the Nova Inventory Transfer point. Under the terms of the agreement, the Company receives a price equal to the Floating AESO Power Pool Price divided by the fixed heat rate of 17.95 GJ/MWh. It was determined that the agreement contained an embedded derivative.

The fair value of the embedded derivative is calculated by the difference between the forecasted Floating AESO Power Pool Price divided by the fixed heat rate of 17.95 GJ/MWh, less the forecasted AECO 5A price, for the remaining term of the contract.

Subsequent to September 30, 2024, the Company entered into the following commodity price derivative financial instrument contracts:

Crude oil derivative financial instrument swap contracts

Contract Type (1)	Notional Volume	Contract Price	Remaining Term
WTI fixed price swap	1,000 bbl/d	CAD$103.00/bbl	Nov 24 – Dec 24
WTI fixed price swap	1,000 bbl/d	CAD$101.00/bbl	Jan 25 – Mar 25

(1) West Texas Intermediate ("WTI")

Interest rate risk

The Company is exposed to interest rate risk as changes in market interest rates will impact the Credit Facility which is subject to a floating interest rate. Based on bank debt balance as of September 30, 2024 of $45.4 million, an increase (decrease) in the market rate of interest by 25 basis points would have an insignificant impact. As at September 30, 2024, there are no interest rate risk management contracts outstanding.

Foreign exchange risk

Kelt is exposed to fluctuations of the Canadian to U.S. dollar exchange rate given realized pricing is directly influenced by U.S. dollar denominated benchmark pricing and from exposure from certain U.S. dollar denominated natural gas marketing arrangements.

As at September 30, 2024, the following foreign exchange derivative financial instrument contracts are outstanding:

Foreign exchange derivative financial instrument swap contracts

Contract Type	Notional Volume	Contract/Exercise Price	Remaining Term
CAD/USD swap	USD$2.5 million/month	$1.3772 CAD/USD	Oct 24 – Dec 24
CAD/USD swap	USD$1.0 million/month	$1.3620 CAD/USD	Jan 25 – Dec 25

Foreign exchange derivative financial instrument option contracts

Contract Type	Notional Volume	Contract/Exercise Price	Exercise/ expiration date	Term if exercised
Sold call option	USD$1.0 million/month	$1.3800 CAD/USD	Dec 31, 2024	Jan 25 – Jun 25
Sold call option	USD$1.0 million/month	$1.3750 CAD/USD	Dec 31, 2024	Jan 25 – Dec 25

Subsequent to September 30, 2024, the Company entered into the following foreign exchange derivative financial instrument contracts:

Foreign exchange derivative financial instrument swap contracts

Contract Type	Notional Volume	Contract/Exercise Price	Remaining Term
CAD/USD swap	USD$4.0 million/month	$1.3850 CAD/USD	Jan 25 – Dec 25

Foreign exchange derivative financial instrument option contracts

Contract Type	Notional Volume	Contract/Exercise Price	Exercise/ expiration date	Term if exercised
Sold call option	USD$2.0 million/month	$1.3820 CAD/USD	Dec 31, 2025	Jan 26 – Dec 26
Sold call option	USD$2.0 million/month	$1.3800 CAD/USD	Dec 31, 2025	Jan 26 – Dec 26

Gains and losses on derivative financial instrument contracts

The table below summarizes realized and unrealized gains (losses) on derivative financial instrument contracts:

	Three months ended September 30		Nine months ended September 30	
	2024	2023	**2024**	2023
Realized gain (loss)				
Derivative financial instrument contracts	**2,646**	(1,650)	**1,900**	11,231
Natural gas embedded derivative	**-**	-	**-**	3,567
Total realized gain (loss)	**2,646**	(1,650)	**1,900**	14,798
Unrealized gain (loss)				
Derivative financial instrument contracts	**1,177**	311	**1,648**	(16,254)
Natural gas embedded derivative	**75**	-	**75**	(8,389)
Total unrealized gain (loss)	**1,252**	311	**1,723**	(24,643)
Gain (loss) on derivative financial instruments	**3,898**	(1,339)	**3,623**	(9,845)

Fair value measurements

The Company classifies fair value measurements using a hierarchy that reflects the significance of the inputs used in making the measurements. The Company maximizes the use of observable inputs when preparing calculations of fair value, where possible. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy. The fair value hierarchy has the following levels:

- Level 1 - Values are based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 - Values are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.
- Level 3 - Values are based on prices or valuation techniques that are not based on observable market data.

The fair value of cash and cash equivalents, accounts receivable and accrued sales, deposits, accounts payable and accrued liabilities approximate their carrying value due to the short term to maturity of these instruments. Bank debt bears interest at a floating market rate and accordingly the fair market value of bank debt approximates the carrying amount. Derivative financial instruments and natural gas embedded derivatives are classified as Level 2.

Credit Risk

As at September 30, 2024, the carrying amount of cash and cash equivalents, accounts receivable and accrued sales, deposits, and derivative financial instruments represent the Company's maximum credit exposure. Potential losses are mitigated from this credit exposure by holding cash and cash equivalents with a Canadian chartered bank, and restricting derivative financial instrument transactions to counterparties that are all investment grade. The remaining credit risk exposure arises primarily from receivables from oil and gas marketers and joint venture partners.

The composition of the Company's accounts receivable is set out in the following table:

Accounts receivable and accrued sales	**September 30, 2024**	December 31, 2023
Joint venture partners	**4,214**	3,803
Oil and gas marketers	**31,674**	42,950
GST input tax credits	**2,747**	2,399
Derivative financial instrument contracts	**1,237**	59
Other	**1,203**	3,951
Expected credit loss provision	**(550)**	(516)
Accounts receivable and accrued sales	**40,525**	52,646

During the quarter ended September 30, 2024, sales to three oil and gas marketers accounted for approximately 15%, 29% and 30% of total sales. During the year ended December 31, 2023, sales to three oil and gas marketers accounted for approximately 10%, 24%, and 42% of total sales. Credit risk from oil and gas marketers is mitigated through transacting with investment grade rating counterparties in the majority of its oil and gas marketing transactions.

The oil and gas industry has a pre-arranged monthly clearing day for payment of revenues from all buyers of oil and natural gas; this occurs on the 25th day following the month of sale. As a result, production revenues are current. All other accounts receivable are generally contractually due within 30-90 days.

The balance of accounts receivable outstanding for more than 90 days relates primarily to receivables from joint venture partners. Credit risk related to joint venture receivables is mitigated by obtaining partner approval of significant capital expenditures prior to expenditure and in certain circumstances may require cash deposits in advance of incurring financial obligations on behalf of joint venture partners. The Company has the ability to withhold production from joint venture partners in the event of non-payment or may be able to register security on the assets of joint venture partners. As of September 30, 2024, the collection risk on outstanding accounts receivable balances is considered low as less than 1.0% of the accounts receivable balance is outstanding for more than 90 days (December 31, 2023 – less than 1.0%).

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. Financial obligations include accounts payable, derivative financial instruments, lease liabilities and bank debt. Liquidity risk is managed through the budgeting process, which sets out expected debt levels, capital expenditures and funds from operations. In addition, derivative financial instrument contracts may be used to protect future sales. The Board of Directors approves an annual capital expenditure budget, which is regularly monitored and updated as necessary in response to changing capital requirements and expected sales.

The capital intensive nature of Kelt's operations may create a working capital deficiency position during periods with high levels of capital investment. However, the Company targets to maintain sufficient unused bank credit lines or other liquidity to satisfy such working capital deficiencies.

The table below outlines a contractual maturity analysis for Kelt's financial liabilities at September 30, 2024:

	Within 1 Year	1 to 5 Years	More than 5 Years	**Total**
Accounts payable and accrued liabilities	95,253	-	-	**95,253**
Derivative financial instruments	152	-	-	**152**
Lease liability	1,683	241	-	**1,924**
Bank debt and estimated interest [(1)]	3,316	45,428	-	**48,744**
Total	**100,404**	**45,669**	**-**	**146,073**

(1) Estimated interest for future years related to the Credit Facility was calculated using the weighted average interest rate of 7.3% for the nine months ended September 30, 2024, applied to the principal balance outstanding as at that date.

Capital Management

The Company's capital structure is comprised of shareholders' capital, bank debt and working capital. The Company's objective when managing its capital structure is to maintain financial flexibility in order to meet financial obligations, as well as finance future capital expenditures relating to exploration, development and acquisition activities.

The Company may increase or decrease capital expenditures including acquisitions and dispositions, issue new shares, issue new debt or repay existing debt, if any, according to market conditions in order to maintain its financial flexibility.

Adjusted funds from operations

Management considers adjusted funds from operations as a key capital management measure that demonstrates the Company's ability to meet its financial obligations and cash flow available to fund its capital program. Adjusted funds from operations are not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

Adjusted funds from operations are calculated as follows:

	Three months ended September 30		Nine months ended September 30	
	2024	2023	**2024**	2023
Cash provided by operating activities	**52,166**	52,424	**161,078**	220,747
Change in non-cash working capital	**(4,407)**	5,492	**(11,674)**	(13,259)
Settlement of decommissioning obligations	**1,180**	856	**3,168**	2,094
Adjusted funds from operations	**48,939**	58,772	**152,572**	209,582

Net debt and net debt to adjusted funds from operations ratio

Management considers net debt and net debt to adjusted funds from operations ratio as key capital management measures to assess the Company's liquidity at a point in time and to monitor its capital structure and short-term financing requirements. The Company targets net debt to adjusted funds from operations ratio of less than 2.0 times. Net debt and net debt to adjusted funds from operations ratio are not standardized measures and therefore may not be comparable with the calculation of similar measures by other entities.

Net debt and net debt to adjusted funds from operations ratio is calculated as follows:

	September 30, 2024	December 31, 2023
Bank debt	**45,428**	-
Accounts payable and accrued liabilities	**95,253**	85,171
Cash and cash equivalents	**(144)**	(14,340)
Accounts receivable and accrued sales	**(40,525)**	(52,646)
Prepaid expenses and deposits	**(4,123)**	(5,188)
Net debt	**95,889**	12,997
Adjusted funds from operations [(1)]	**219,190**	276,200
Net debt to adjusted funds from operations ratio	**0.4**	0.0

(1) 12-month trailing adjusted funds from operations.

As described in note 6, there are no financial covenants under the Credit Facility agreement and Kelt is in compliance with all other covenants.

10. PETROLEUM AND NATURAL GAS SALES

Kelt sells its oil, natural gas, and NGLs production under variable price contracts. The transaction price is based on a benchmark commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula (apart from the benchmark commodity price) can be either fixed or variable, depending on the contract terms. Sales are typically collected on the 25th day of the month following the prior month's production, with sales being recorded once the product is delivered to a contractually agreed upon delivery point.

Kelt generates oil treating, gas processing, and other services income from fees charged to third parties provided at facilities where Kelt has an ownership interest. Marketing revenue is generated from the sales of third-party volumes related to its oil blending and natural gas operations, with the production being sold under the same terms as the variable price contracts discussed above.

Where third party marketers are contracted to deliver natural gas using Kelt's transportation pipeline contracts, title transfer occurs at a different location than the benchmark commodity price location. For the nine months ended September 30, 2024, gas production sales in relation to these contracts was $11.3 million (September 30, 2023 – $9.8 million).

The following table presents Kelt's production disaggregated by sales source:

	Three months ended September 30		Nine months ended September 30	
	2024	2023	**2024**	2023
Oil production	**75,953**	68,663	**218,093**	206,435
Oil treating and other	**242**	359	**718**	780
NGLs production	**13,877**	15,121	**46,077**	51,921
Gas production	**13,417**	27,324	**63,248**	93,040
Gas processing and other	**626**	773	**1,997**	2,622
Marketing revenue	**3,769**	4,708	**13,235**	11,782
Total petroleum and natural gas sales	**107,884**	116,948	**343,368**	366,580

Included in accounts receivable at September 30, 2024 is $31.7 million (December 31, 2023 – $43.0 million) of accrued oil and gas sales related to September 2024 production.

11. FINANCING EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2024	2023	**2024**	2023
Total interest expense	**1,078**	330	**2,217**	966
Accretion of decommissioning obligations	**817**	724	**2,273**	2,139
Total financing expense	**1,895**	1,054	**4,490**	3,105

12. COMMITMENTS

As of September 30, 2024, the Company is committed to future payments under the following agreements:

	2024	2025	2026	2027	2028	Thereafter
Firm processing commitments	8,324	54,260	63,844	63,209	65,825	446,509
Firm transportation commitment	9,344	37,771	38,331	33,303	31,882	139,545
Total annual commitments	**17,668**	**92,031**	**102,175**	**96,512**	**97,707**	**586,054**

13. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended September 30		Nine months ended September 30	
Changes in non-cash working capital	**2024**	2023	**2024**	2023
Accounts receivable and accrued sales	**1,725**	(5,141)	**12,121**	34,335
Prepaid expenses and deposits	**1,294**	1,132	**1,065**	(1,411)
Accounts payable and accrued liabilities	**(3,398)**	28,191	**10,082**	17,125
Change in non-cash working capital	**(379)**	24,182	**23,268**	50,049
Relating to:				
Operating activities	**4,407**	(5,492)	**11,674**	13,259
Investing activities	**(4,786)**	29,674	**11,594**	36,790
Change in non-cash working capital	**(379)**	24,182	**23,268**	50,049

During the reporting period, the Company made the following cash outlays in respect of interest and taxes:

	Three months ended September 30		Nine months ended September 30	
Cash outlays in respect of interest and taxes	**2024**	2023	**2024**	2023
Interest and standby fees on bank debt	**969**	208	**1,732**	857
Taxes [(1)]	**-**	-	**-**	-

(1) Kelt was not required to pay cash income taxes as the Company had sufficient income tax deductions available to shelter taxable income.

ABBREVIATIONS

A&D	Acquisitions and dispositions
AECO	Alberta Energy Company “C” Meter Station of the NOVA Pipeline System
AT	After income taxes
bbls	barrels
bbls/d	barrels per day
bcf	billion cubic feet
BOE	barrels of oil equivalent
BOE/d	barrels of oil equivalent per day
BT	Before income taxes
CA$/CAD	Canadian Dollar
Dawn	Gas traded at Union Gas' Dawn Hub in Dawn Township, Ontario
E&E	Exploration and Evaluation
FDC	Future Development Capital
G&A	General and Administration
GJ	gigajoules
LNG	Liquefied Natural Gas
Mbbls	thousand barrels
MBOE	thousand barrels of oil equivalent
Mcf	thousand cubic feet
MD&A	Management’s Discussion and Analysis
MMBtu	million British Thermal Units
MMcf	million cubic feet
MMcf/d	million cubic feet per day
MSW	Mountain sweet blend crude oil
NGLs	Natural Gas Liquids
NGX	Natural Gas Exchange Inc. (Canada)
NGTL	Nova Gas Transmission Line
NIT	NOVA Inventory Transfer (“AB-NIT”), being the reference price at the AECO Hub
NYMEX	New York Mercantile Exchange
Oil	Oil includes crude oil and field condensate
OPEC+	The Organization of Petroleum Exporting Countries along with 10 additional oil-producing countries
P&NG	Petroleum and Natural Gas
Q1	First quarter ended March 31st
Q2	Second quarter ended June 30th
Q3	Third quarter ended September 30th
Q4	Fourth quarter ended December 31st
SBC	Share Based Compensation
SEDAR+	System for Electronic Document Analysis and Retrieval
Station 2	Spectra Energy receipt location
TSX	Toronto Stock Exchange
US$/USD	United States dollar
WTI	West Texas Intermediate
YTD	Year to date
1P	Proved reserves
2P	Proved plus probable reserves
IP30	the daily average post cleanup production rate (for each well), measured at the wellhead over 720 producing hours, excluding hours when the well did not produce continuously.
IP365	the daily average post cleanup production rate (for each well), measured at the wellhead over 8,760 producing hours, excluding hours when the well did not produce.

CONVERSION OF UNITS

Imperial = Metric

1 acre = 0.4 hectares

2.5 acres = 1 hectare

1 bbl = 0.159 cubic metres

6.29 bbls = 1 cubic metre

1 foot = 0.3048 metres

3.281 feet = 1 metre

1 Mcf = 28.2 cubic metres

0.035 Mcf = 1 cubic metre

1 mile = 1.61 kilometres

0.62 miles = 1 kilometre

1 MMBtu = 1.054 GJ

0.949 MMBtu = 1 GJ

Natural gas is equated to oil on the basis of 6 Mcf = 1 BOE

Sulphur is equated to gas on the basis of 1LT = 10 Mcf (1 BOE = 0.6 LT)

CORPORATE INFORMATION

BOARD OF DIRECTORS

William C. Guinan [8, 9]
Board Chair, Independent

Jennifer Haskey [2, 6]
Director, Independent

Michael R. Shea [5, 7, 8]
Director, Independent

Neil G. Sinclair [1, 9, 10]
Director, Independent

Janet E. Vellutini [3, 6, 7]
Director, Independent

David J. Wilson [4, 10]
President & Chief Executive Officer,
Kelt Exploration Ltd.

1 chair, audit committee
2 chair, reserves committee
3 chair, compensation and corporate governance committee
4 chair, health, safety, environment and sustainability committee
5 chair, nominating committee
6 member, audit committee
7 member, reserves committee
8 member, compensation and corporate governance committee
9 member, health, safety and environment and sustainability committee
10 member, nominating committee

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Sadiq H. Lalani
Vice President & Chief Financial Officer

Douglas J. Errico
Senior Vice President, Land and Corporate Development

Alan G. Franks
Vice President, Production

Bruce D. Gigg
Vice President, Engineering

David A. Gillis
Vice President, Finance

Douglas O. MacArthur
Vice President, Operations

Patrick W.G. Miles
Vice President, Exploration

Louise K. Lee
Corporate Secretary

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