PRESS RELEASE
(Stock Symbol "KEL" – TSX)
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Calgary, Alberta

KELT REPORTS SIGNIFICANT INCREASES IN OIL & GAS RESERVES AND NET ASSET VALUE PER SHARE AS AT DECEMBER 31, 2019

Kelt Exploration Ltd. ("Kelt" or the "Company") is pleased to report on its oil & gas reserves and production for the year ended December 31, 2019.

The audit of Kelt's 2019 annual consolidated financial statements has not been completed and accordingly all financial amounts relating to 2019 referred to in this press release are unaudited and represent management's estimates. Readers are advised that these financial estimates are subject to audit and may be subject to change.

HIGHLIGHTS

$M unless otherwise stated	**December 31, 2019**		December 31, 2018		**Change**
	% Weight	**Amount**	% Weight	Amount	
Proved plus Probable Reserves					
Oil & NGLs [Mbbls]	**47%**	**216,324**	43%	128,847	**+ 68%**
Gas [MMcf]	**53%**	**1,467,941**	57%	1,042,987	**+ 41%**
Combined [MBOE]	**100%**	**460,981**	100%	302,678	**+ 52%**
Oil & NGLs Mix [P+P Reserves, Mbbls]					
Light Oil, Condensate and Pentane	**62%**	**133,150**	64%	83,040	**+ 60%**
Butane	**11%**	**24,282**	11%	14,389	**+ 69%**
Propane	**22%**	**46,746**	20%	26,322	**+ 78%**
Ethane	**5%**	**12,146**	5%	5,096	**+ 138%**
Total Oil & NGLs	**100%**	**216,324**	100%	128,847	**+ 68%**
Net Present Value of Reserves [10% BT]					
Proved Developed Producing		**514,261**		481,113	**+ 7%**
Proved		**1,899,665**		1,499,241	**+ 27%**
Proved plus Probable		**3,988,482**		3,128,636	**+ 27%**
Annual Average Production					
Oil & NGLs [bbls/d]	**46%**	**13,851**	43%	11,589	**+ 20%**
Gas [Mcf/d]	**54%**	**96,658**	57%	92,502	**+ 4%**
Combined [BOE/d]	**100%**	**29,961**	100%	27,006	**+ 11%**
Net Asset Value *[1]*		**4,040,164**		3,209,319	**+ 26%**
Net Asset Value per share – diluted [$]		**18.78**		15.51	**+ 21%**

Note:

[1] Net present value of proved plus probable reserves used in the calculation of net asset value is based on a 10% discount rate, before tax. More detailed information is available in the "Net Asset Value per Share" table provided in this press release. Refer to advisories regarding Non-GAAP Financial Measures and Other Key Performance Indicators. Also refer to Measurements and Abbreviations.

OPERATIONS UPDATE

Kelt achieved a record high calendar year average production in 2019. Average production for 2019 was 29,961 BOE per day, up 11% from average production of 27,006 BOE per day in 2018. Production for 2019 was weighted 46% oil and NGLs and 54% gas. Average production for 2019 was 2% to 5% below the Company's guidance of 30,500 to 31,500 BOE per day range, primarily due to infrastructure related delays in the Wembley/Pipestone area.

During the fourth quarter of 2019, Kelt took advantage of service accessibility (bi-fuel frac equipment and access to water) and completed three wells at Inga on its 24-well Montney cube pad that were previously planned for the first quarter of 2020. In addition, Kelt had originally planned to install gas compression at Wembley/Pipestone in 2020, however, due to higher than anticipated pipeline pressures relating to infrastructure connecting Kelt's wells to the Pipestone Sour Deep-Cut Gas Processing Plant, the Company installed compression during the fourth quarter of 2019. Net capital expenditures for 2019 were $315.6 million (unaudited), approximately 7% above budgeted capital expenditures of $296.0 million. In connection with moving forward to 2019 certain capital expenditures planned for 2020, Kelt completed a flow-through equity financing during the fourth quarter of 2019. The Company issued 3.45 million common shares on a flow-through basis in respect of Canadian Development Expenses at a price of $5.05 per share for gross proceeds of $17.4 million.

During the twenty-four months ending March 31, 2020, Kelt will have incurred significant infrastructure capital expenditures that will benefit future production additions from new development wells in its main operating divisions. The Company will have installed approximately 287,000 metres of pipelines ranging from 6-inch to 16-inch pipe that will transport oil, emulsion, water, sweet gas and sour gas from Kelt wells to processing facilities.

In 2017, Kelt made an application to the British Columbia Infrastructure Royalty Credit Program and was approved for its planned infrastructure build in certain parts of its Inga/Fireweed property relating to expenditures totaling approximately $38.6 million. The Government of British Columbia approved a recovery of approximately 39% of Kelt's infrastructure expenditures or $15.0 million through reduced future royalties payable relating to 20 horizontal Montney wells associated with the infrastructure. The Company has drilled and completed 10 of the Montney wells at Inga and has commenced drilling operations on the remaining 10 Montney wells at Fireweed. To date, the Company has recovered approximately $1.3 million under this program.

In 2019, Kelt made an application to the British Columbia Clean Growth Infrastructure Royalty Credit Program and was approved for its planned infrastructure build in certain parts of its Oak/Flatrock property relating to expenditures totaling approximately $49.5 million. The Government of British Columbia has approved a recovery of approximately 37% of Kelt's infrastructure expenditures or $18.5 million through reduced future royalties payable relating to 22 horizontal Montney wells associated with the infrastructure. The Company drilled and completed two of these wells in 2019 and is currently drilling another nine Montney well program at Oak during the first half of 2020.

Kelt's commodity price forecast for 2020 differs from those used by Sproule Associates Limited ("Sproule"). Kelt's forecasted WTI crude oil price for 2020 is US$52.00 per barrel (unchanged from its previous forecast). The Company has taken measures to secure a portion of its adjusted funds from operations in 2020 by entering into the following oil related swaps:

- Fixed the WTI price on 6,000 barrels per day for the first quarter of 2020 at CA$75.63 per barrel (equivalent to US$57.30 per barrel at Kelt's 2020 forecasted CAD/USD exchange rate of 1.320);
- Fixed the WTI price on 3,000 barrels per day for the second quarter of 2020 at CA$79.40 per barrel (equivalent to US$60.15 per barrel at Kelt's 2020 forecasted CAD/USD exchange rate of 1.320); and
- Fixed the WTI to MSW basis differential on 3,000 barrels per day for the second quarter of 2020 at CA$6.40 per barrel (equivalent to US$4.85 per barrel at Kelt's 2020 forecasted CAD/USD exchange rate of 1.320).

The Company has reduced its NYMEX Henry Hub natural gas forecast for 2020 to US$2.25 per MMBtu, down 18% from its previous forecast. Kelt estimates that the CAD/USD exchange rate will average 1.320 (US$0.758), up 1% from its previous forecast of 1.307 (US$0.765).

After taking into consideration these revised commodity price forecasts for 2020 and including the hedging contracts, Kelt is forecasting 2020 adjusted funds from operations of $225.0 million, down 4% from its previous forecast. In addition, Kelt has reduced its 2020 capital expenditure forecast from $235.0 million to $225.0 million, in part to reflect the planned 2020 expenditures that were brought forward and incurred in 2019.

RESERVES

Kelt retained Sproule Associates Limited ("Sproule"), an independent qualified reserve evaluator to prepare a report on its oil and gas reserves. The report is effective as of December 31, 2019. The Company has a Reserves Committee which oversees the selection, qualifications and reporting procedures of the independent qualified reserves evaluator. Reserves as at December 31, 2019 and at December 31, 2018 were determined using the guidelines and definitions set out under National Instrument 51-101 ("NI 51-101"). Additional reserves disclosure as required under NI 51-101 will be included in Kelt's Annual Information Form which will be filed on SEDAR on or before March 31, 2020.

The Company's net present value of proved plus probable reserves at December 31, 2019, discounted at 10% before tax, was $4.0 billion, an increase of 27% from $3.1 billion at December 31, 2018, despite lower forecasted oil and gas prices for the future years in the December 31, 2019 evaluation (see "Commodity Prices" table included below). Sproule's forecasted commodity prices for 2020 used to determine the net present value of the Company's reserves at December 31, 2019, are USD 61.00 per barrel for WTI oil and USD 2.80 per MMBtu for NYMEX Henry Hub natural gas.

Proved developed producing reserves at December 31, 2019 were 48.9 million BOE, an increase of 20% from 40.7 million BOE at December 31, 2018. Total proved reserves at December 31, 2019 were 224.6 million BOE, up 42% from 158.4 million BOE at December 31, 2018. Proved plus probable reserves increased by 52% from 302.7 million BOE at December 31, 2018 to 461.0 million BOE at December 31, 2019.

The following table outlines a summary of the Company's reserves by category at December 31, 2019:

SUMMARY OF RESERVES					
	Oil & NGLs [Mbbls]	Gas [MMcf]	Combined [MBOE]	NPV10% BT [$M]	NPV10% BT [$/BOE]
Proved Developed Producing	21,522	163,994	48,854	514,261	10.53
Total Proved	103,292	727,740	224,582	1,899,665	8.46
Total Proved plus Probable	**216,324**	**1,467,941**	**460,981**	**3,988,482**	**8.65**

The following table shows the change in reserves year-over-year by reserve category:

CHANGE IN RESERVES			
[MBOE]	**December 31, 2019**	December 31, 2018	**Percent Change**
Proved Developed Producing	**48,854**	40,702	**+ 20%**
Total Proved	**224,582**	158,443	**+ 42%**
Total Proved plus Probable	**460,981**	302,678	**+ 52%**

FUTURE DEVELOPMENT CAPITAL EXPENDITURES

Future development capital ("FDC") expenditures of $1,379 million are included in the evaluation for total **proved reserves** and are expected to be incurred over five years as follows: $149 million in 2020, $328 million in 2021, $337 million in 2022, $384 million in 2023 and $181 million in 2024. FDC expenditures of $2,454 million are included in the evaluation of **proved plus probable reserves** and are expected to be incurred over seven years as follows: $163 million in 2020, $381 million in 2021, $400 million in 2022, $454 million in 2023, $451 million in 2024, $345 million in 2025 and $260 million in 2026.

The following table outlines FDC expenditures and future wells to be drilled by province, included in the December 31, 2019 and December 31, 2018 proved plus probable reserve evaluations:

FUTURE DEVELOPMENT CAPITAL EXPENDITURES – PROVED PLUS PROBABLE RESERVES				
	December 31, 2019		December 31, 2018	
	FDC [$M]	**Net Wells**	FDC [$M]	Net Wells
Alberta Montney wells	**581,614**	**101.3**	331,835	59.3
British Columbia Montney wells	**1,463,797**	**270.0**	743,803	140.0
Total Montney wells	**2,045,411**	**371.3**	1,075,638	199.3
Other formations (including Doig/Charlie Lake)	**355,148**	**85.4**	355,088	76.6
Other expenditures	**53,888**	**–**	43,372	–
Total FDC Expenditures	**2,454,447**	**456.8**	1,474,098	275.9

OPERATING DIVISIONS

Kelt has five operating divisions. The Inga/Fireweed division is primarily a light oil/condensate-rich gas Montney play with condensate-rich gas Doig development potential. The Pouce Coupe/Progress division has light oil and liquids-rich gas development potential in the Montney, Doig, Charlie Lake and Halfway formations. The Wembley/Pipestone division is primarily a light oil/condensate-rich gas Montney play.

The Oak/Flatrock division is the least developed in the Company's portfolio. Kelt has three producing Montney wells in this division and expects to drill nine Upper Montney wells and one Middle Montney well at Oak/Flatrock in 2020. The Grande Cache division is primarily a Cretaceous gas development area.

OPERATING DIVISIONS					
	Proved Reserves [MBOE]	**Proved NPV 10% BT [$M]**	**Proved + Probable Reserves [MBOE]**	**Proved + Probable NPV 10% BT [$M]**	**Montney Acres [Sections]**
Inga/Fireweed	**139,345**	**1,331,209**	**301,361**	**2,877,302**	**139,963 [219]**
Pouce Coupe/Progress	**47,179**	**352,056**	**75,539**	**583,639**	**36,239 [57]**
Wembley/Pipestone	**30,157**	**212,561**	**62,716**	**472,156**	**107,155 [167]**
Other Properties *[1] [2]*	**7,901**	**3,839**	**21,365**	**55,385**	**233,851 [365]**
Total Company	**224,582**	**1,899,665**	**460,981**	**3,988,482**	**517,208 [808]**

Notes:

[1] Other properties includes the Oak/Flatrock division, the Grande Cache division and miscellaneous minor properties.
[2] Of the Montney rights included in other properties, 204,988 acres (320 sections) are in the Oak/Flatrock division.

COMMODITY PRICE FORECAST

The WTI oil price during 2019 averaged USD 56.98 per barrel, 10% lower than Sproule's 2019 forecast provided in the December 31, 2018 evaluation. Sproule is forecasting an average WTI oil price of USD 61.00 per barrel in 2020, a 9% decline from its previous forecast. The NYMEX gas price during 2019 averaged USD 2.62 per MMBtu, 13% lower than Sproule's 2019 forecast provided in the December 31, 2018 evaluation. Sproule is forecasting an average NYMEX gas price of USD 2.80 per MMBtu in 2020, a 14% decline from its previous forecast.

The following table outlines forecasted future prices that Sproule has used in their evaluation of the Company's reserves:

COMMODITY PRICES									
	December 31, 2019 Evaluation						December 31, 2018 Evaluation		
	WTI Cushing Crude Oil [USD/bbl]		**NYMEX Henry Hub [USD/MMBtu]**		**USD/CAD Exchange [USD]**		WTI Cushing Crude Oil [USD/bbl]	NYMEX Henry Hub [USD/MMBtu]	USD/CAD Exchange [USD]
2015 (historical)	**48.80**		**2.63**		**0.783**		48.80	2.63	0.783
2016 (historical)	**43.32**		**2.55**		**0.755**		43.32	2.55	0.755
2017 (historical)	**50.88**		**3.07**		**0.770**		50.88	3.07	0.770
2018 (historical)	**64.94**		**3.04**		**0.771**		64.94	3.04	0.771
2019 (historical/future)	**56.98**	**− 10%**	**2.62**	**− 13%**	**0.754**	**− 2%**	63.00	3.00	0.770
2020 (future)	**61.00**	**− 9%**	**2.80**	**− 14%**	**0.760**	**− 5%**	67.00	3.25	0.800
2021 (future)	**65.00**	**− 7%**	**3.00**	**− 14%**	**0.770**	**− 4%**	70.00	3.50	0.800
2022 (future)	**67.00**	**− 6%**	**3.25**	**− 9%**	**0.800**	**0%**	71.40	3.57	0.800
2023 (future)	**68.34**	**− 6%**	**3.32**	**− 9%**	**0.800**	**0%**	72.83	3.64	0.800

Note:

Percent change in the above table shows the change in price used in the December 31, 2019 evaluation compared to the price used in the December 31, 2018 evaluation for the respective calendar years from 2019 to 2023.

FINDING, DEVELOPMENT & ACQUISITION COSTS

During 2019, the Company's capital expenditures, net of dispositions, resulted in proved plus probable reserve additions of 169.2 million BOE, resulting in 2P finding, development and acquisition ("FD&A") costs of $7.66 per BOE, including FDC expenditures. Proved reserve additions in 2019 were 77.1 million BOE, resulting in 1P FD&A costs of $10.68 per BOE, including FDC expenditures.

Estimated capital expenditures, after minor dispositions, in 2019 were $315.6 million (unaudited). The Company considers the calculated FD&A costs in 2019 to be a very good result considering it incurred significant infrastructure expenditures during 2019. Kelt was able to show a 2P recycle ratio of 2.5 times for the year.

The recycle ratio is a measure for evaluating the effectiveness of a company's re-investment program. The ratio measures the efficiency of capital investment. It accomplishes this by comparing the operating netback per BOE to the same period's reserve FD&A cost per BOE. With the construction of facilities and infrastructure in 2018 and 2019, along with land acquisitions during both years, Kelt has positioned itself to achieve further efficiencies in production additions and finding and development costs over the upcoming years, as it continues to proceed with development and pad drilling.

The following table provides detailed calculations relating to FD&A costs for 2019 and 2018:

	Year ended December 31, 2019	Year ended December 31, 2018
PROVED RESERVES		
Capital expenditures [$000's] *(2019 unaudited)*	**315,624**	285,498
Change in FDC costs required to develop reserves [$000's]	**507,348**	95,548
Total capital costs [$000's]	**822,972**	381,046
Reserve additions, net [MBOE]	**77,053**	35,298
FD&A cost, including FDC [$/BOE]	**10.68**	10.80
Operating netback [$/BOE] *(2019 unaudited)*	**18.89**	20.56
Recycle ratio – proved	**1.8 x**	1.9 x
PROVED PLUS PROBABLE RESERVES		
Capital expenditures [$000's] *(2019 unaudited)*	**315,624**	285,498
Change in FDC costs required to develop reserves [$000's]	**980,349**	310,506
Total capital costs [$000's]	**1,295,973**	596,004
Reserve additions, net [MBOE]	**169,217**	76,905
FD&A cost, including FDC [$/BOE]	**7.66**	7.75
Operating netback [$/BOE] *(2019 unaudited)*	**18.89**	20.56
Recycle ratio – proved plus probable	**2.5 x**	2.7 x

RESERVES RECONCILIATION

Kelt's 2019 capital investment program resulted in net proved plus probable reserve additions that replaced 2019 production by a factor of 15.5 times.

A reconciliation of Kelt's proved plus probable reserves is provided in the table below:

PROVED PLUS PROBABLE RESERVES	Oil & NGLs [Mbbls]	Gas [MMcf]	Combined [MBOE]
Balance, December 31, 2018	**128,847**	**1,042,987**	**302,678**
Extensions and infill drilling	86,910	437,634	159,849
Technical revisions and economic factors	5,574	21,953	9,233
Acquisitions	49	515	135
Dispositions	—	—	—
Additions, after dispositions ("Net additions")	**92,533**	**460,102**	**169,217**
Less: 2019 Production *[1]*	(5,056)	(35,148)	(10,914)
Balance, December 31, 2019	**216,324**	**1,467,941**	**460,981**

Note:

[1] Sulphur production of 13,186 Lt (132 MMcfe or 22 MBOE) has been excluded in the above table.

Continued outperformance of existing producing wells compared with the previous year's forecasts resulted in significant positive technical revisions to both producing wells and offsetting future development locations. Notably, in Inga/Fireweed, the Upper Montney type curve was adjusted upward and the results from the 2019 drilling program increased the overall play maturity resulting in additional proved plus probable reserve bookings.

NET ASSET VALUE

Kelt's net asset value at December 31, 2019 was $18.78 per share, up 21% from the previous year. Details of the calculation are shown in the table below:

NET ASSET VALUE PER SHARE			
[$M unless otherwise stated]	**December 31, 2019**	December 31, 2018	**Percent Change**
P&NG proved plus probable reserves, NPV10% BT *[1]*	**3,988,482**	**3,119,592**	**+ 28%**
Undeveloped land	**350,617**	**279,739**	**+ 25%**
Net bank debt *[unaudited]*	**(328,080)**	**(196,416)**	**+ 67%**
Proceeds from exercise of stock options *[2]*	**29,145**	**6,404**	**+ 355%**
Net asset value	**4,040,164**	**3,209,319**	**+ 26%**
Diluted common shares outstanding (000's) *[2] [3]*	**215,187**	**206,978**	**+ 4%**
Net asset value per share ($/share)	**18.78**	**15.51**	**+ 21%**

Notes:

[1] Includes the net present value of the Company's estimated decommissioning obligations. Approximately $9.0 million of incremental decommissioning obligation costs were deducted from the amount included in the present value of P&NG reserves as evaluated by Sproule as at December 31, 2018.
[2] The calculation of proceeds from exercise of stock options and the diluted number of common shares outstanding only include stock options that are "in-the-money" based on the closing price of KEL of $4.87 and $4.64 per common share respectively, as at December 31, 2019 and 2018. All outstanding RSUs are included in diluted common shares outstanding.
[3] The 5% convertible debentures that mature on May 31, 2021 are convertible to common shares at $5.50 per share. At the December 31, 2019 closing price of $4.87 per share, the convertible debentures are "out-of-the-money" and 19.4 million shares issuable at a 5% discount are included in diluted common shares outstanding. At the December 31, 2018 closing price of $4.64, the convertible debentures are "out-of-the-money" and 20.4 million shares issuable at a 5% discount are included in diluted common shares outstanding.

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

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

This press release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "forecast", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. In particular, this press release contains forward-looking statements pertaining to the following: the forecasted future commodity prices used by Sproule in their evaluation, markets for future gas production, future development capital expenditures, expectations, exploration and development activities and future drilling plans, including future drilling locations, achieving further efficiencies in production additions and FDC expenditures over the upcoming years as Kelt continues to proceed with development and pad drilling and the installation of approximately 287,000 metres of pipelines during the twenty-four month period ending March 31, 2020. 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.

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. Kelt has made assumptions regarding, but not limited to: existing production sales contracts remaining in place, future commodity prices, timing and amount of capital expenditures, future production expenses, future cash flow, future debt levels and future production volumes. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses; failure to obtain necessary regulatory approvals for planned operations; health, safety and environmental risks; uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures; volatility of commodity prices, currency exchange rate fluctuations; imprecision of reserve estimates; and competition from other explorers) as well as general economic conditions, stock market volatility; and the ability to access sufficient capital. We caution that the foregoing list of risks and uncertainties is not exhaustive.

In addition, the reader is cautioned that historical results are not necessarily indicative of future performance. The forward-looking statements contained herein are made as of the date hereof and the Company does not intend, and does not assume any obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise unless expressly required by applicable securities laws.

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and NGLs 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 press release 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. In this press release, 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.

Certain information set out herein is “financial outlook” within the meaning of applicable securities laws. The purpose of this financial outlook is to provide readers with disclosure regarding Kelt’s reasonable expectations as to the anticipated results of its proposed business activities. Readers are cautioned that this financial outlook may not be appropriate for other purposes.

NON-GAAP FINANCIAL MEASURES AND OTHER KEY PERFORMANCE INDICATORS

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

“Net bank debt” is equal to “bank debt, net of working capital”. “Net bank debt” is calculated by adding the working capital deficiency to bank debt. The working capital deficiency is equal to total current assets net of total current liabilities. The Company uses a “net bank debt to annualized quarterly adjusted funds from operations ratio” as a benchmark on which management monitors the Company’s capital structure and short-term financing requirements. Management believes that this ratio, which is a non-GAAP financial measure, provides investors with information to understand the Company’s liquidity risk. The “net bank debt to annualized quarterly adjusted funds from operations ratio” is also indicative of the “debt to EBITDA” calculation used to determine the applicable margin for a quarter under the Company’s Credit Facility agreement (though the calculation may not always be a precise match, it is representative).

“Operating income” is calculated by deducting royalties, production expenses and transportation expenses from petroleum and natural gas (“P&NG”) revenue, net of the cost of purchases and after realized gains or losses on associated financial instruments. The Company refers to operating income expressed per unit of production as an “operating netback”. Management believes that operating netback ($ per BOE) is a key industry benchmark and is a useful measure of operating performance which assists management and investors in assessing Kelt’s profitability”.

“Adjusted funds from operations” is calculated as cash provided by operating activities before changes in non-cash operating working capital and adding back (if applicable): transaction costs associated with acquisitions and dispositions, provisions for potential credit losses, and settlement of decommissioning obligations. Adjusted funds from operations per common share is calculated on a consistent basis with profit (loss) per common share, using basic and diluted weighted average common shares as determined in accordance with GAAP. Adjusted funds from operations, annualized quarterly adjusted funds from operations, and operating income are Non-GAAP measures used by management as a key measure to assess the ability of the Company to fund operating activities, capital expenditures and the repayment of debt however; it is not intended to be viewed as an alternative to cash provided by operating activities, profit or other measures of financial performance calculated in accordance with GAAP.

“Finding, development and acquisition” (“FD&A”) cost is the sum of capital expenditures incurred in the period and the change in future development capital (“FDC”) required to develop reserves. FD&A cost per BOE is determined by dividing current period net reserve additions into the corresponding period’s FD&A cost. Readers are cautioned that the aggregate of capital expenditures incurred in the year, comprised of exploration and development costs and acquisition costs, and the change in estimated FDC generally will not reflect total FD&A costs related to reserves additions in the year.

“Recycle ratio” is a measure for evaluating the effectiveness of a company’s re-investment program. The ratio measures the efficiency of capital investment by comparing the operating netback per BOE to FD&A cost per BOE.

“Net asset value per share” is calculated by adding the net present value of P&NG reserves, undeveloped land value and proceeds from exercise of stock options, less the net present value of decommissioning obligations and net bank debt, and dividing by the diluted number of common shares outstanding. The calculation of proceeds from exercise of stock options and the diluted number of common shares outstanding only include stock options that are “in-the-money” based on the closing price of KEL common shares as at the calculation date. All outstanding RSUs are included in diluted common shares outstanding. The diluted number of common shares outstanding includes common shares to be issuable upon conversion of the convertible debentures. Common shares to be issued upon conversion are calculated based on the conversion price if the convertible debentures are “in-the-money” based on the closing price of KEL common shares as at the calculation date or they are calculated based on 95% of the closing price of KEL common shares as at the calculation date, if the convertible debentures are “out-of-the-money”.

UNAUDITED INFORMATION

All financial and operating information in this press release for the fourth quarter and year ended December 31, 2019, such as FD&A costs, recycle ratio, net bank debt, capital expenditures, production and operating netback is based on unaudited estimated results and have not been reviewed by the Corporation’s auditors. These estimates are subject to change upon completion of audited financial statements for the year ended December 31, 2019, and changes could be material. Kelt anticipates filing its audited financial statements and related management’s discussion and analysis for the year ended December 31, 2019 on SEDAR on March 9, 2020.

MEASUREMENTS AND ABBREVIATIONS

All dollar amounts are referenced in thousands of Canadian dollars, except when noted otherwise. This press release contains various references to the abbreviation BOE which means barrels of oil equivalent. Where amounts are expressed on a BOE basis, natural gas volumes have been converted to oil equivalence at six thousand cubic feet per barrel and sulphur volumes have been converted to oil equivalence at 0.6 long tons per barrel. The term BOE may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet per barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead and is significantly different than the value ratio based on the current price of crude oil and natural gas. This conversion factor is an industry accepted norm and is not based on either energy content or current prices. Such abbreviation may be misleading, particularly if used in isolation. References to “oil” in this press release include crude oil and field condensate. References to “natural gas liquids” or “NGLs” include pentane, butane, propane, and ethane. References to “gas” in this discussion include natural gas and sulphur.

TSX	the Toronto Stock Exchange
KEL	trading symbol for Kelt Exploration Ltd. on the Toronto Stock Exchange
bbls	barrels
bbls/d	barrels per day
Mbbls	thousand barrels

Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
MMcf	million cubic feet
MMcfe	million cubic feet equivalent
MMcf/d	million cubic feet per day
MMBtu	million British thermal units
GJ	gigajoule
Lt	long ton
BOE	barrel of oil equivalent
MBOE	thousand barrels of oil equivalent
BOE/d	barrel of oil equivalent per day
NGLs	natural gas liquids
C2	ethane
C3	propane
C4	butane
C5+	pentane plus all other heavier natural gas liquids
AECO	Alberta Energy Company "C" Meter Station of the NOVA Pipeline System
NYMEX	New York Mercantile Exchange
WTI	West Texas Intermediate
USD	United States dollars
CAD	Canadian dollars
$	Canadian dollars
$M	thousand dollars
GAAP	Generally Accepted Accounting Principles
P&NG	petroleum and natural gas
FD&A	finding, development and acquisition
FDC	future development capital
NPV	net present value
NPV 10%	net present value discounted at ten percent
BT	before tax

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