



PRESS RELEASE

(Stock Symbol "KEL" – TSX)

May 24, 2021

Calgary, Alberta

**KELT INCREASES ITS 2021 GUIDANCE FOR PRODUCTION AND FUNDS FROM OPERATIONS
WITH AN INCREASED CAPITAL SPENDING PROGRAM**

Kelt Exploration Ltd. ("Kelt" or the "Company") is providing updated guidance for 2021.

During 2020, revenue generated by sales of oil and gas were adversely affected by the precipitous decline in oil and gas prices as a result of the unprecedented destruction in demand for the commodities due to global lockdowns and business interruptions. Several pharmaceutical companies have now developed vaccines as a measure to prevent or reduce COVID infections. As the global economy recovers, the demand for oil and gas has also commenced a recovery leading to current oil and gas selling prices trading at or above pre-pandemic levels.

Kelt is optimistic that oil and gas prices will continue to remain strong leading into 2022 as the massive cuts in global spending whereby long-term energy related projects were put on hold or cancelled completely, will ultimately affect supply of hydrocarbons.

Kelt's board of directors has approved an increase to the Company's capital expenditure program for 2021. Kelt expects to spend \$150.0 million in 2021, up 25% from its previous forecast of \$120.0 million. The Company has elected to bring forward certain expenditures previously planned for 2022 in order to take advantage of current commodity prices. In doing so, Kelt expects higher production and funds from operations in 2021. In addition, the Company will put itself in a position to show continued growth in production in 2022 by accelerating capital expenditure plans.

Kelt will continue to maintain its strong financial position. At December 31, 2021, the Company expects to have debt, net of working capital, of \$11.0 million or only 0.1 times adjusted funds from operations.

Production in 2021 is now forecasted to average 21,000 BOE per day, up 11% from its previous forecast of 19,000 BOE per day. Adjusted funds from operations for 2021 is forecasted to be \$118.0 million, a 10% increase from its previous forecast of \$107.0 million.

The following table summarizes the changes to 2021 guidance since the Company's original forecast was prepared in November 2020:

	2021 Guidance (Nov/2020)	2021 Guidance (Mar/2021)	2021 Guidance (current)	Percent Change
Commodity Prices				
WTI Crude Oil (USD/bbl)	38.50	59.95	60.00	+ 56%
NYMEX Natural Gas (USD/MMBtu)	3.10	2.82	2.90	- 6%
Exchange Rate (CAD/USD)	1.340	1.267	1.227	- 8%
Production				
Oil & NGLs (bbls/d)	6,500	7,145	7,850	+ 21%
Gas (MMcf/d)	66.00	71.13	78.90	+ 20%
Combined (BOE/d)	17,500	19,000	21,000	+ 20%
Financial				
Revenue (\$MM)	175.0	238.0	256.4	+ 47%
Adjusted Funds from Operations (\$MM)	66.5	107.0	118.0	+ 77%
AFFO per share, diluted	0.35	0.56	0.62	+ 77%
Capital Expenditures (\$MM)	90.0	120.0	150.0	+ 67%
Bank Debt, net of working capital deficit (surplus) (\$MM)	(4.0)	(7.0)	11.0	-

OPERATIONS UPDATE

Kelt has a significant number of wells that it plans to bring on production during the remainder of 2021. Below is a summary of the wells and their current status.

The following wells are expected to be put on production during the third quarter of 2021:

- (a) Wembley (sfc 14-34) 02/13-32-074-09W6 Montney D3 – drilled and completed;
- (b) Wembley (sfc 14-34) 00/13-10-075-09W6 Montney D3 – drilled and completed;
- (c) Spirit River (sfc 8-27) 08-25 Upper Charlie Lake – drilled and completed;
- (d) Spirit River (sfc 8-27) 01-25 Lower Charlie Lake – drilled and completed;
- (e) Pouce Coupe (sfc 1-32) 04/13-32-077-11W6 Montney D1 – drilled (DUC);
- (f) Pouce Coupe (sfc 1-32) 05/13-32-077-11W6 Montney D2 – drilled (DUC); and
- (g) Pouce Coupe (sfc 1-32) 02/14-32-077-11W6 Montney D2 – drilled (DUC).

The following wells are expected to be put on production during the fourth quarter of 2021:

- (a) Oak (sfc 5-31) 00/13-05-087-18W6 Upper Montney – drilled and completed;
- (b) Oak (sfc 5-31) 00/16-06-087-18W6 Middle Montney – drilled and completed;
- (c) Oak (sfc 5-33) 00/01-09-087-18W6 Upper Montney – drilled (DUC);

- (d) Oak (sfc 5-33) 00/04-10-087-18W6 Upper Montney – drilled (DUC);
- (e) Oak (sfc 6-35) 00/12-12-087-18W6 Upper Montney – drilled (DUC);
- (f) Oak (sfc 6-35) 00/08-11-087-18W6 Upper Montney – drilled (DUC);
- (g) Oak (sfc 13-12) 00/14-24-087-18W6 Upper Montney – drilled (DUC);
- (h) Oak (sfc 13-12) 00/16-23-087-18W6 Upper Montney – drilled (DUC);
- (i) Oak (sfc 13-12) 00/08-16-087-18W6 Upper Montney – drilled (DUC); and
- (j) Oak (sfc 13-12) 02/08-16-087-18W6 Upper Montney – drilled (DUC).

Kelt has a strong financial position and expects to show continued growth in production and funds from operations as it brings on-stream wells from its portfolio of high rate of return projects. The Company will continue to monitor commodity prices and will announce any further changes to its 2021 guidance accordingly.

Management looks forward to updating shareholders with 2021 second quarter results on or about August 5, 2021.

NON-ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words “expect”, “anticipate”, “continue”, “estimate”, “remain”, “may”, “will”, “project”, “should”, “plans”, “intends”, “forecasted” and similar expressions are intended to identify forward-looking information or statements. In particular, this press release contains forward-looking statements pertaining to the following: Kelt’s expectations for price realizations and future commodity prices; expectations for operating costs, transportation expenses and royalties, the cost and timing of future capital expenditures and expected well results; anticipated production volumes; the expected timing of facility construction and well completions, the expected timing of facility expenditures, the expected timing of facility start-up dates, the expected timing of production additions; and the Company's expected future financial position and operating results.

Although Kelt believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Kelt cannot give any assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the economic recovery from the COVID-19 pandemic, the risks associated with the oil and gas industry in general (e.g., commodity pricing, 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.

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

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.

“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.

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

“Net bank debt (surplus)” is equal to “bank debt”, net of “working capital deficit (surplus)”. Working capital deficit (surplus) excludes current bank debt. “Net bank debt (surplus)” is calculated by adding the working capital deficit (surplus) to bank debt. The Company uses a “net bank debt (surplus) and working capital deficit (surplus) to annualized quarterly adjusted funds from operations ratio” and as a benchmark on which management monitors the Company’s capital structure and short-term financing requirements. Management believes that this ratio, as well as the Company’s “net bank debt (surplus)”, provides investors with information to understand the Company’s liquidity risk. The “net bank debt (surplus) and working capital deficit (surplus) to annualized quarterly adjusted funds from operations ratio” is also indicative of the “net debt (surplus) to cash flow” calculation used to

determine the applicable margin for a quarter under the Company's Credit Facility agreement (though the calculation may not always be a precise match, it is representative).

MEASUREMENTS

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

ABBREVIATIONS

bbls	barrels
bbls/d	barrels per day
mmcf	million cubic feet
mmcf/d	million cubic feet per day
MMBTU	million British Thermal Units
BOE	barrel of oil equivalent
BOE/d	barrel of oil equivalent per day
NGLs	natural gas liquids
AECO	Alberta Energy Company "C" Meter Station of the NOVA Pipeline System
WTI	West Texas Intermediate
NYMEX	New York Mercantile Exchange
US\$	United States dollars
CA\$	Canadian dollars
TSX	the Toronto Stock Exchange
KEL	trading symbol for Kelt Exploration Ltd. common shares on the TSX
IFRS	International Financial Reporting Standards

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