PRESS RELEASE
(Stock Symbol **"KEL"** – TSX)
August 5, 2021
Calgary, Alberta

KELT REPORTS FINANCIAL AND OPERATING RESULTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021

Kelt Exploration Ltd. ("Kelt" or the "Company") reports its financial and operating results to shareholders for the three and six months ended June 30, 2021.

The Company's financial results are summarized as follows:

FINANCIAL HIGHLIGHTS	Three months ended June 30			Six months ended June 30		
(CA$ thousands, except as otherwise indicated)	**2021**	2020	%	**2021**	2020	%
Petroleum and natural gas sales	**60,644**	45,454	33	**120,479**	116,372	4
Cash provided by operating activities	**34,529**	14,429	139	**61,111**	64,601	-5
Adjusted funds from operations [1]	**29,452**	11,712	151	**56,903**	39,072	46
Basic ($/ common share) [1]	**0.16**	0.06	167	**0.30**	0.21	43
Diluted ($/ common share) [1]	**0.15**	0.06	150	**0.30**	0.21	43
Net income (loss) and comprehensive income (loss)	**54,654**	(252,661)	122	**57,508**	(326,746)	118
Basic ($/ common share)	**0.29**	(1.35)	121	**0.30**	(1.74)	117
Diluted ($/ common share)	**0.29**	(1.35)	121	**0.30**	(1.74)	117
Total capital expenditures, net of dispositions	**45,786**	27,768	65	**75,232**	118,894	-37
Total assets	**842,454**	1,295,965	-35	**842,454**	1,295,965	-35
Net bank debt [1]	**755**	320,300	-100	**755**	320,300	-100
Convertible debentures	**-**	85,181	-100	**-**	85,181	-100
Shareholders' equity	**663,284**	599,399	11	**633,284**	599,399	11
Weighted average shares outstanding (000s)						
Basic	**188,634**	187,794	-	**188,610**	187,845	-
Diluted	**190,491**	187,848	1	**190,223**	188,630	1

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

FINANCIAL STATEMENTS

Kelt's unaudited consolidated interim financial statements and related notes for the quarter ended June 30, 2021 will be available to the public on SEDAR at www.sedar.com and will also be posted on the Company's website at www.keltexploration.com on August 5, 2021.

Kelt's operating results for the second quarter ended June 30, 2021 are summarized as follows:

OPERATIONAL HIGHLIGHTS	Three months ended June 30			Six months ended June 30		
(CA$ thousands, except as otherwise indicated)	**2021**	2020	%	**2021**	2020	%
Average daily production						
Oil (bbls/d)	**3,660**	8,824	-59	**3,815**	9,254	-59
NGLs (bbls/d)	**2,932**	5,066	-42	**3,179**	4,825	-34
Gas (mcf/d)	**78,001**	98,853	-21	**73,402**	99,045	-26
Combined (BOE/d)	**19,592**	30,366	-35	**19,228**	30,587	-37
Production per million common shares (BOE/d) (1)	**104**	162	-36	**102**	163	-37
Average realized prices, before financial instruments(1)						
Oil ($/bbl)	**76.33**	26.37	189	**71.75**	36.43	97
NGLs ($/bbl)	**32.94**	10.53	213	**33.66**	12.35	173
Gas ($/mcf)	**3.49**	2.04	71	**3.62**	2.20	65
Operating netbacks ($/BOE) (1)						
Petroleum and natural gas sales	**34.02**	16.45	107	**34.61**	20.90	66
Cost of purchases	**(0.93)**	(0.40)	133	**(1.00)**	(0.83)	20
Average realized price, before financial instruments(1)	**33.09**	16.05	106	**33.61**	20.07	67
Realized gain (loss) on financial instruments	**(1.60)**	4.62	-135	**(1.35)**	3.60	-138
Average realized price, after financial instruments(1)	**31.49**	20.67	52	**32.26**	23.67	36
Royalties	**(2.80)**	(0.84)	233	**(2.75)**	(0.93)	196
Production expense	**(7.65)**	(9.62)	-20	**(8.53)**	(10.24)	-17
Transportation expense	**(3.36)**	(3.65)	-8	**(3.30)**	(3.57)	-8
Operating netback (1)	**17.68**	6.56	170	**17.68**	8.93	98
Total landholdings						
Gross acres	**795,338**	1,043,152	-24	**795,338**	1,043,152	-24
Net acres	**575,869**	811,865	-29	**575,869**	811,865	-29

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

MESSAGE TO SHAREHOLDERS

The COVID-19 pandemic has had a substantial impact on people's lives and continues to impact the way companies conduct their business. Kelt's highest priority remains the health and safety of its employees, partners and the communities where it operates. With the emergence of new COVID-19 variants, the Company continues to gather information in order to understand the potential future impacts these new variants may have on the economy and the impact to oil and gas prices, credit availability and capital markets. The Company is proud of the dedication of its workforce to maintain safe operations and business continuity during the pandemic.

During the second quarter of 2021, Kelt continued to maintain its strong financial position and with quarter over quarter growth in production and higher commodity prices, the Company demonstrated significant growth in funds from operations during the quarter. In addition, Kelt recorded earnings of $57.5 million ($0.30 per share) for the six months ended June 30, 2021.

Kelt's average production for the three months ended June 30, 2021 was 19,592 BOE per day, up 4% from average production of 18,860 BOE per day during the first quarter of 2021 and up 19% from average production of 16,476 BOE per day during the fourth quarter of 2020. Production growth reflects the strong performance from new wells that came on-stream during the first quarter of 2021 in the Pouce Coupe area of Alberta. Production for the three months ended June 30, 2021 was weighted 34% oil and NGLs and 66% gas.

Kelt's realized average oil price during the second quarter of 2021 was $76.33 per barrel, up 189% from $26.37 per barrel in the second quarter of 2020. The realized average NGLs price during the second quarter of 2021 was $32.94 per barrel, up 213% from $10.53 per barrel in the same quarter of 2020. Kelt's realized average gas price for the second quarter of 2021 was $3.49 per Mcf, up 71% from $2.04 per Mcf in the corresponding quarter of the previous year.

For the three months ended June 30, 2021, petroleum and natural gas sales was $60.6 million and adjusted funds from operations was $29.5 million ($0.15 per share, diluted), compared to $45.5 million and $11.7 million ($0.06 per share, diluted) respectively, in the second quarter of 2020. At June 30, 2021, the Company had no bank debt outstanding and a working capital deficit of $0.8 million, compared to aggregate bank debt, principal amount of convertible debentures outstanding and working capital deficit of $410.2 million, at June 30, 2020.

Net capital expenditures incurred during the three months ended June 30, 2021 were $45.8 million. During the second quarter of 2021, the Company spent $33.5 million on drill and complete operations and $11.5 million on facilities, pipelines and equipment. The benefits of these capital expenditures will be realized when the Company brings new wells on-stream over the next few months. The tentative schedule to bring production on-line over the next few months is as follows:

(a) Pouce Coupe – three Montney oil wells were brought on production in July 2021;
(b) Wembley/Pipestone – two Montney wells are expected to be brought on production in August 2021;
(c) Spirit River – two Charlie Lake wells are expected to be brought on production in September 2021;
(d) Oak – ten Montney wells are expected to be brought on production in October 2021; and
(e) Wembley/Pipestone – one Montney well is expected to be brought on production in November 2021.

At Oak/Flatrock, Kelt currently has ten Montney wells that have been drilled and completed. The Company has commenced construction of a gas compression and oil battery facility and expects to commence production from the ten new Oak wells during October 2021.

At Pouce Coupe, Kelt commenced production from three Montney oil wells in July 2021. The Company plans to follow up with the drilling of two additional wells in this oil play at Pouce Coupe in the second half of 2021. In addition, Kelt expects to drill two additional high deliverability Montney gas wells at Pouce Coupe West during the fourth quarter of 2021.

At Spirit River, Kelt has drilled and completed two wells from the same pad in the Charlie Lake formation, one targeting the Lower Charlie Lake and the other targeting the Upper Charlie Lake. These wells are expected to be brought on production in September 2021. During the fourth quarter of 2021, the Company expects to follow up with two additional wells that will be drilled in the Lower Charlie Lake formation.

At Wembley/Pipestone, Kelt currently has six Montney wells that have been drilled and completed and two additional wells that are drilled and awaiting completion ("DUCs"). The Company expects to bring three of these wells on production in the second half of 2021 and the remainder of the wells are expected to come on-stream in early 2022. In addition, Kelt expects to drill two more wells at Wembley/Pipestone in the second half of 2021, to be completed and brought on production in 2022. The Company will commence construction of Phase 1 of its Wembley East pipeline infrastructure during the second half of 2021 and anticipates construction of Phase 2 of the Wembley East pipeline infrastructure during the first half of 2022.

On July 29, 2021, Kelt completed the disposition of approximately 400 BOE per day of non-core assets for gross proceeds of $9.0 million. Production was approximately 75% gas and 25% oil and NGLs.

Kelt's board of directors has approved an increase to the Company's capital expenditure program for 2021. Kelt expects to spend $175.0 million in 2021, up 17% from its previous forecast of $150.0 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, the Company will put itself in a position to deliver additional production growth in 2022 by accelerating production start-up from certain wells.

Kelt will continue to maintain its strong financial position. At December 31, 2021, the Company expects to have net bank debt of $9.0 million or only 0.1 times adjusted funds from operations.

Production in 2021 is now forecasted to average 21,500 BOE per day, up 2% from its previous forecast of 21,000 BOE per day. Adjusted funds from operations for 2021 is forecasted to be $145.0 million, a 23% increase from its previous forecast of $118.0 million.

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

	2021 Guidance (Nov/20)	2021 Guidance (Mar/21)	2021 Guidance (May/21)	2021 Guidance (current)	Percent Change
Commodity Prices					
WTI Crude Oil (USD/bbl)	38.50	59.95	60.00	63.50	+ 65%
NYMEX Natural Gas (USD/MMBtu)	3.10	2.82	2.90	3.25	+ 5%
Exchange Rate (CAD/USD)	1.340	1.267	1.227	1.247	- 7%
Production					
Oil & NGLs (bbls/d)	6,500	7,145	7,850	8,000	+ 23%
Gas (MMcf/d)	66.00	71.13	78.90	81.00	+ 23%
Combined (BOE/d)	17,500	19,000	21,000	21,500	+ 23%
Financial					
Petroleum and natural gas sales ($MM)	175.0	238.0	256.4	289.7	+ 66%
Adjusted funds from operations (1) ($MM)	66.5	107.0	118.0	145.0	+ 118%
AFFO per share, diluted (1)	0.35	0.56	0.62	0.76	+ 117%
Capital expenditures ($MM)	90.0	120.0	150.0	175.0	+ 94%
Net bank debt (surplus) (1), at year end ($MM)	(4.0)	(7.0)	11.0	9.0	–

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

Management looks forward to updating shareholders with 2021 third quarter results on or about November 10, 2021.

Changes in forecasted commodity prices and variances in production estimates can have a significant impact on estimated funds from operations and profit. Please refer to the advisories regarding forward-looking statements and to the cautionary statement below.

The information set out herein is "financial outlook" within the meaning of applicable securities laws. The purpose of this financial outlook is to provide readers with disclosure regarding Kelt's reasonable expectations as to the anticipated results of its proposed business activities for the calendar year 2021. Readers are cautioned that this financial outlook may not be appropriate for other purposes.

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "execute", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "forecasted" and similar expressions are intended to identify forward-looking information or statements. In particular, this press release contains forward-looking statements pertaining to the following: the expected timing of well completions, the expected timing of wells being brought on-production, the expected timing of facility expenditures, the expected timing of facility start-up dates, the expected timing of production additions from capital expenditures; and the Company's expected future financial position and operating results.

Although Kelt believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Kelt cannot give any assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oil and gas industry in general, operational risks in development, exploration and production; risks associated with the COVID-19 pandemic; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses; failure to obtain necessary regulatory approvals for planned operations; health, safety and environmental risks; uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures; volatility of commodity prices, currency exchange rate fluctuations; imprecision of reserve estimates; as well as general economic conditions, stock market volatility; and the ability to access sufficient capital. We caution that the foregoing list of risks and uncertainties is not exhaustive.

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

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

NON-GAAP FINANCIAL MEASURES AND OTHER KEY PERFORMANCE INDICATORS

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

Non-GAAP financial measures

“Operating income” is calculated by deducting royalties, production expenses and transportation expenses from petroleum and natural gas sales, net of the cost of purchases and after realized gains or losses on associated financial instruments. The Company refers to operating income expressed per unit of production as an “operating netback”.

“Adjusted funds from operations” is calculated as cash provided by operating activities before changes in non-cash operating working capital, and adding back (if applicable): transaction costs associated with acquisitions and dispositions, provisions for potential credit losses, and settlement of decommissioning obligations. Adjusted funds from operations per common share is calculated on a consistent basis with net income (loss) per common share, using basic and diluted weighted average common shares as determined in accordance with GAAP.

Adjusted funds from operations, annualized quarterly adjusted funds from operations and operating income or netbacks are non-GAAP measures used by management to measure operating performance. Adjusted funds from operations, annualized quarterly adjusted funds from operations, and operating income or netbacks are non-GAAP measures used by management as a key measure to assess the ability of the Company to fund operating activities, capital expenditures and the repayment of debt; however it is not intended to be viewed as an alternative to cash provided by operating activities, net income (loss) or other measures of financial performance calculated in accordance with GAAP. The following table reconciles cash provided by operating activities reported in accordance with GAAP to *Adjusted funds from operations*:

	Three months ended June 30			Six months ended June 30		
(CA$ thousands, except as otherwise indicated)	**2021**	2020	%	**2021**	2020	%
Cash provided by operating activities	**34,529**	14,429	139	**61,111**	64,601	-5
Change in non-cash working capital	**(6,237)**	(3,287)	90	**(6,549)**	(26,203)	-75
Funds from operations	**28,292**	11,142	154	**54,562**	38,398	42
Settlement of decommissioning obligations	**1,160**	570	104	**2,341**	674	247
Adjusted funds from operations	**29,452**	11,712	151	**56,903**	39,072	46

Throughout this press release, reference is made to “petroleum and natural gas sales”, “Kelt Revenue” and “average realized prices”. Petroleum and natural gas sales (before royalties) is as reported in the consolidated financial statements in accordance with GAAP, and is before realized gains or losses on financial instruments. "Kelt Revenue" is a non-GAAP measure and is calculated by deducting the cost of purchases from petroleum and natural gas sales (before royalties). “Average realized prices” are calculated based on “Kelt Revenue” divided by production and reflect the Company's realized selling prices plus the net benefit of oil blending/marketing activities. In addition to using its own production, the Company may purchase butane and crude oil from fourth parties for use in its blending operations, with the objective of selling the blended oil product at a premium. Marketing revenue from the sale of third-party volumes is included in total petroleum and natural gas sales as reported in the Consolidated Statement of Net Income (Loss) and Comprehensive Income (Loss) in accordance with GAAP. Given the Company’s per unit operating statistics disclosed throughout this press release are calculated based on Kelt’s production volumes, management believes that disclosing its average realized prices based on Kelt Revenue is more appropriate and useful, because the cost of third party volumes purchased to generate the incremental marketing revenue has been deducted.

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

“Net bank debt (surplus)” is equal to “bank debt”, net of “working capital deficit (surplus)”. Working capital deficit (surplus) excludes current bank debt, current convertible debentures, and assets and liabilities held for sale. “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
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
mmcf	million cubic feet
mmcf/d	million cubic feet per day
tcf	trillion cubic feet
MMBTU	million British Thermal Units
GJ	gigajoule
BOE	barrel of oil equivalent
BOE/d	barrel of oil equivalent per day
NGLs	natural gas liquids
LNG	liquefied natural gas
AECO	Alberta Energy Company "C" Meter Station of the NOVA Pipeline System
NIT	NOVA Inventory Transfer ("AB-NIT"), being the reference price at the AECO Hub
WTI	West Texas Intermediate
NYMEX	New York Mercantile Exchange
Station 2	Spectra Energy receipt location
US$	United States dollars
CA$	Canadian dollars
TSX	the Toronto Stock Exchange
KEL	trading symbol for Kelt Exploration Ltd. common shares on the TSX
KEL.DB	trading symbol for Kelt Exploration Ltd. 5% convertible debentures on the TSX
CDE	Canadian Development Expenses, as defined by the *Income Tax Act* (Canada)
CEE	Canadian Exploration Expenses, as defined by the *Income Tax Act* (Canada)
GAAP	Generally Accepted Accounting Principles

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