



**PRESS RELEASE**

(Stock Symbol “KEL” – TSX)

August 4, 2022

Calgary, Alberta

**KELT REPORTS FINANCIAL AND OPERATING RESULTS  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022**

Kelt Exploration Ltd. (“Kelt” or the “Company”) reports its financial and operating results to shareholders for the three and six months ended June 30, 2022.

The Company’s financial results are summarized as follows:

<b>FINANCIAL HIGHLIGHTS</b> <i>(CA\$ thousands, except as otherwise indicated)</i>	Three months ended June 30			Six months ended June 30		
	<b>2022</b>	2021	%	<b>2022</b>	2021	%
Petroleum and natural gas sales	<b>178,938</b>	60,644	195	<b>317,384</b>	120,479	163
Cash provided by operating activities	<b>91,623</b>	34,529	165	<b>157,176</b>	61,111	157
Adjusted funds from operations <sup>(1)</sup>	<b>94,783</b>	29,452	222	<b>168,952</b>	56,903	197
Basic (\$/ common share) <sup>(1)</sup>	<b>0.50</b>	0.16	213	<b>0.89</b>	0.30	197
Diluted (\$/ common share) <sup>(1)</sup>	<b>0.48</b>	0.15	220	<b>0.87</b>	0.30	190
Net income and comprehensive income	<b>70,711</b>	54,654	29	<b>81,431</b>	57,508	42
Basic (\$/ common share)	<b>0.37</b>	0.29	28	<b>0.43</b>	0.30	43
Diluted (\$/ common share)	<b>0.36</b>	0.29	24	<b>0.42</b>	0.30	40
Capital expenditures, net of A&D <sup>(1)</sup>	<b>89,072</b>	45,786	95	<b>172,765</b>	75,232	130
Total assets	<b>1,035,372</b>	842,454	23	<b>1,035,372</b>	842,454	23
Net debt (surplus) <sup>(1)</sup>	<b>23,117</b>	(6,696)	-445	<b>23,117</b>	(6,696)	-445
Shareholders' equity	<b>818,734</b>	663,284	23	<b>818,734</b>	633,284	23
Weighted average shares outstanding (000s)						
Basic	<b>191,174</b>	188,634	1	<b>190,284</b>	188,610	1
Diluted	<b>195,848</b>	190,491	3	<b>194,576</b>	190,223	2

(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, 2022 will be available to the public on SEDAR at [www.sedar.com](http://www.sedar.com) and will also be posted on the Company’s website at [www.keltexploration.com](http://www.keltexploration.com) on August 4, 2022.

Kelt's operating results for the second quarter ended June 30, 2022 are summarized as follows:

<b>OPERATIONAL HIGHLIGHTS</b> <i>(CA\$ thousands, except as otherwise indicated)</i>	Three months ended June 30			Six months ended June 30		
	2022	2021	%	2022	2021	%
Average daily production						
Oil (bbls/d) <sup>(2)</sup>	4,871	3,660	33	5,473	3,815	43
NGLs (bbls/d)	4,809	2,932	64	4,412	3,179	39
Gas (mcf/d)	108,199	78,001	39	106,070	73,402	45
Combined (BOE/d)	27,713	19,592	41	27,563	19,228	43
Production per million common shares (BOE/d) <sup>(1)</sup>	145	104	39	145	102	42
Net realized prices, before financial instruments <sup>(1)</sup>						
Oil (\$/bbl) <sup>(2)</sup>	135.36	76.33	77	123.35	71.75	72
NGLs (\$/bbl)	79.24	32.94	141	72.30	33.66	115
Gas (\$/mcf)	8.14	3.49	133	6.82	3.62	88
Operating netbacks (\$/BOE) <sup>(1)</sup>						
Petroleum and natural gas sales	70.96	34.02	109	63.61	34.61	84
Cost of purchases	(1.63)	(0.93)	75	(1.34)	(1.00)	34
Combined net realized price, before financial instruments <sup>(1)</sup>	69.33	33.09	110	62.27	33.61	85
Realized loss on financial instruments	(10.83)	(1.60)	577	(8.01)	(1.35)	493
Combined net realized price, after financial instruments <sup>(1)</sup>	58.50	31.49	86	54.26	32.26	68
Royalties	(7.20)	(2.80)	157	(6.62)	(2.75)	141
Production expense	(9.82)	(7.65)	28	(9.72)	(8.53)	14
Transportation expense	(2.96)	(3.36)	-12	(3.01)	(3.30)	-9
Operating netback <sup>(1)</sup>	38.52	17.68	118	34.91	17.68	97
Landholdings						
Gross acres	761,479	795,338	-4	761,479	795,338	-4
Net acres	545,063	575,869	-5	545,063	575,869	-5

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

(2) "Oil" includes crude oil and field condensate

## MESSAGE TO SHAREHOLDERS

During the second quarter of 2022, 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 net income of \$70.7 million (\$0.36 per share) for the three months ended June 30, 2022.

Kelt's average production for the three months ended June 30, 2022 was 27,713 BOE per day, up 41% from average production of 19,592 BOE per day during the corresponding period in 2021 and up 1% from average production of 27,413 BOE per day during the first quarter of 2022. Quarter-over-quarter production grew marginally despite downtime experienced at the NRM Gordondale East Gas Plant where Kelt processes approximately 35.0 MMcf per day of raw gas and which was shut-in for just over two weeks for its periodic (every 3-5 years) plant turnaround maintenance. Production for the three months ended June 30, 2022 was weighted 35% oil and NGLs and 65% gas.

Kelt's realized average oil price during the second quarter of 2022 was \$135.36 per barrel, up 77% from \$76.33 per barrel in the second quarter of 2021. The realized average NGLs price during the second quarter of 2022 was \$79.24 per barrel, up 141% from \$32.94 per barrel in the same quarter of 2021. Kelt's realized average gas price for the second quarter of 2022 was \$8.14 per Mcf, up 133% from \$3.49 per Mcf in the corresponding quarter of the previous year.

For the three months ended June 30, 2022, petroleum and natural gas sales were \$178.9 million and adjusted funds from operations was \$94.8 million (\$0.48 per share, diluted), compared to \$60.6 million and \$29.5 million (\$0.15 per share, diluted) respectively, in the second quarter of 2021. At June 30, 2022, net debt was \$23.1 million or 0.1 times annualized second quarter adjusted funds from operations.

Capital expenditures, net of A&D incurred during the three months ended June 30, 2022 were \$89.1 million. During the second quarter of 2022, the Company spent \$53.4 million on drill and complete operations and \$34.5 million on facilities, pipelines and equipment.

#### **CAPITAL PROGRAM – SECOND HALF OF 2022**

In its Oak/Flatrock Division, pending resumption of permit approvals by the B.C. Oil and Gas Commission, Kelt expects to drill four Upper Montney wells at Oak and also complete the previously drilled Middle Montney well at Flatrock located at 13-2-86-16W6 (on the eastern part of the Company's 300-section contiguous land block). In addition, Kelt expects to complete facility enhancements at its Oak 6-35 Facility, increasing gas compression by approximately 33%.

At its Pouce Coupe/Progress/Spirit River Division, Kelt expects to tie-in and commence production from four Montney oil wells that have already been drilled and completed. In the Charlie Lake play, the Company has initiated a six well development program at Spirit River and expects to have these wells drilled, completed and tied-in by the end of the year.

In the Wembley/Pipestone Division, Kelt has spud its first Charlie Lake well (60% working interest) and with success could follow-up with additional drilling in the Charlie Lake formation in 2023. The Company plans to drill and complete two Montney D2 oil wells (50% working interest) and drill a Montney D3 well during the second half of 2022. During September 2022, Kelt will experience production downtime when the TWM Pipestone Gas Plant, where the Company processes approximately 33.0 MMcf per day of raw gas, is expected to be shut-in for approximately three weeks as it conducts plant turnaround maintenance.

After an active drilling program and pipeline construction at Wembley/Pipestone, Kelt is currently either restricting production from certain wells or has shut-in production from certain wells in the area due to third-party gas processing congestion. These limitations are expected to be alleviated with cooler weather and resulting improvements in plant efficiencies. In addition, Kelt's access to incremental gas processing capacity is expected to increase as the Company has agreed to enter into definitive gas processing arrangements with certain midstream companies that are currently awaiting final approval to either build new gas processing plants and expand existing gas processing plants in the area. In addition to the Company's plant ownership interests and firm service gas processing contracts currently in place at three different gas plants in the area, Kelt expects to add an incremental 75.0 MMcf per day of gas processing capacity in the next two years. A third is expected in the fourth quarter of 2023, another third in the first quarter of 2024 and the remaining third in the fourth quarter of 2024.

Kelt expects to spend \$300.0 million in its capital expenditure program for 2022. Production is forecasted to average between 30,000 and 31,000 BOE per day, an increase of between 43% and 48% from average production of 20,987 BOE per day in 2021. Adjusted funds from operations for 2022 is forecasted to be \$350.0 million or 17% greater than the Company's planned capital expenditure program. Kelt will continue to maintain its strong financial position. At December 31, 2022, the Company expects to have a net surplus of \$25.0 million.

The following table summarizes the changes to 2022 guidance since the Company's original forecast was prepared in November 2021:

<i>(\$MM, unless otherwise specified)</i>	2022 Guidance (Nov/21)	2022 Guidance (Mar/22)	2022 Guidance (May/22)	<b>2022 Guidance (Current)</b>	Percent Change
<b>Commodity Prices</b>					
WTI Crude Oil (USD/bbl)	72.00	85.00	90.00	<b>95.00</b>	6%
NYMEX Natural Gas (USD/MMBtu)	4.10	4.15	5.35	<b>6.00</b>	12%
Exchange Rate (CAD/USD)	1.227	1.250	1.255	<b>1.280</b>	2%
<b>Production</b>					
Oil & NGLs (bbls/d)	11,450	11,580	11,580	<b>10,500 – 11,050</b>	(9%) – (5%)
Gas (MMcf/d)	111.30	116.52	116.52	<b>117.00 – 119.70</b>	0% - 3%
Combined (BOE/d)	30,000	31,000	31,000	<b>30,000 – 31,000</b>	(3%) - 0%
<b>Financial</b>					
P&NG Sales	444.7	518.8	608.2	<b>653.0</b>	7%
Adjusted funds from operations	245.0	300.0	340.0	<b>350.0</b>	3%
AFFO per share, diluted	1.28	1.55	1.74	<b>1.79</b>	3%
Capital expenditures	200.0 – 210.0	250.0	265.0	<b>300.0</b>	13%
Net debt (surplus)	(23.8)	(19.0)	(50.0)	<b>(25.0)</b>	(50%)

Management looks forward to updating shareholders with 2022 third quarter results on or about November 10, 2022.

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 2022. 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; timing around the resumption of permit approvals by the B.C. Oil and Gas Commission, 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 AND OTHER KEY FINANCIAL MEASURES**

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 capital management measures, and supplementary financial measures that do not have standardized meanings under the applicable securities legislation. As these non-GAAP and other 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**

#### **Net realized price**

Net realized price is a non-GAAP measure and is calculated by deducting the cost of purchases from petroleum and natural gas sales (before royalties), divided by the Company’s production and reflects Kelt’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 net realized prices based on petroleum and natural gas 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. Net realized prices referenced throughout this press release are before financial instruments, except as otherwise indicated as being after financial instruments.

#### **Operating netback**

Operating netback 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 associated financial instruments. The Company also presents operating netbacks on a per boe basis 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 Kelt’s Management’s Discussion and Analysis as at and for the three and six months ended June 30, 2022, which provides a reconciliation of the 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 provided by (used in) investing activities. Refer to the “Non-GAAP and Other Financial Measures – Non GAAP

Financial Measures" section of Kelt's Management's Discussion and Analysis as at and for the three and six months ended June 30, 2022 for a detailed reconciliation of capital expenditures net of A&D, and capital expenditures before A&D, to Cash provided by (used in) investing activities.

## **CAPITAL MANAGEMENT MEASURES**

### **Adjusted funds from operations**

Management considers adjusted funds from operations and annualized quarterly adjusted funds from operations key capital management measures as it demonstrates the Company's ability to meet its financial obligations and cash flow available to fund its capital program. Adjusted funds from operations and annualized quarterly 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. Refer to the "Non-GAAP and Other Financial Measures – Non GAAP Financial Measures" section of Kelt's Management's Discussion and Analysis as at and for the three and six months ended June 30, 2022 for a detailed reconciliation of adjusted funds from operations and annualized quarterly adjusted funds from operations back to cash provided by operating activities.

### **Net debt (surplus)**

Management considers net debt (surplus) as a key capital management measure to assess the Company's liquidity at a point in time and to monitor its capital structure and short-term financing requirements.

"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 previously disclosed a "Net bank debt (surplus)" for its non-GAAP measure which was used to understand the Company's liquidity risk. In the third quarter of 2021, the Company replaced its "Net bank debt (surplus)" non-GAAP measure with a "Net debt (surplus)" non-GAAP measure. "Net bank debt (surplus)" was equal to bank debt, plus current liabilities, less current assets. 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. Refer to the "Capital Resources and Liquidity" section of Kelt's Management's Discussion and Analysis as at and for the three and six months ended June 30, 2022 for a detailed reconciliation of the Company's net debt (surplus).

## **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

A&D	Acquisitions and dispositions
AFFO	Adjusted funds from operations
bbls	barrels
bbls/d	barrels per day
BOE	barrel of oil equivalent
BOE/d	barrel of oil equivalent per day
CAD	Canadian dollars
CAD or CA\$	Canadian dollars
DUC	Drilled but uncompleted
G&A	General and administrative
GAAP	Generally Accepted Accounting Principles
KEL	trading symbol for Kelt Exploration Ltd. common shares on the TSX
MMBTU	million British Thermal Units
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
mmcf	million cubic feet
mmcf/d	million cubic feet per day
\$MM	Million of dollars
NGLs	natural gas liquids
NYMEX Henry Hub	New York Mercantile Exchange natural gas pricing hub
P&NG	Petroleum and natural gas
TSX	the Toronto Stock Exchange
USD or US\$	United States dollars
WTI	West Texas Intermediate

For further information, please contact:

**KELT EXPLORATION LTD.**, Suite 300, 311 – 6<sup>th</sup> Avenue SW, Calgary, Alberta, Canada T2P 3H2

**DAVID J. WILSON**, President and Chief Executive Officer (403) 201-5340, or  
**SADIQ H. LALANI**, Vice President and Chief Financial Officer (403) 215-5310.

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