



**PRESS RELEASE**

(Stock Symbol “KEL” – TSX)

November 9, 2023

Calgary, Alberta

**KELT REPORTS FINANCIAL AND OPERATING RESULTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023**

Kelt Exploration Ltd. (“Kelt” or the “Company”) reports its financial and operating results to shareholders for the three and nine months ended September 30, 2023.

The Company’s financial results are summarized as follows:

FINANCIAL HIGHLIGHTS <i>(CA\$ thousands, except as otherwise indicated)</i>	Three months ended			Nine months ended		
	2023	2022	%	2023	2022	%
Petroleum and natural gas sales	<b>116,948</b>	143,254	-18	<b>366,580</b>	460,638	-20
Cash provided by operating activities	<b>52,424</b>	85,104	-38	<b>220,747</b>	242,280	-9
Adjusted funds from operations <sup>(1)</sup>	<b>58,772</b>	65,189	-10	<b>209,582</b>	234,141	-10
Basic (\$/ common share)	<b>0.30</b>	0.34	-12	<b>1.09</b>	1.23	-11
Diluted (\$/ common share)	<b>0.30</b>	0.33	-9	<b>1.07</b>	1.20	-11
Net income and comprehensive income	<b>20,060</b>	23,089	-13	<b>62,195</b>	104,520	-40
Basic (\$/ common share)	<b>0.10</b>	0.12	-17	<b>0.32</b>	0.55	-42
Diluted (\$/ common share)	<b>0.10</b>	0.12	-17	<b>0.32</b>	0.54	-41
Capital expenditures, net of A&D <sup>(1)</sup>	<b>98,287</b>	76,181	29	<b>219,951</b>	248,946	-12
Total assets	<b>1,222,412</b>	1,078,619	13	<b>1,222,412</b>	1,078,619	13
Net debt <sup>(1)</sup>	<b>15,917</b>	33,537	-53	<b>15,917</b>	33,537	-53
Shareholders' equity	<b>976,146</b>	845,103	16	<b>976,146</b>	845,103	16
Weighted average shares outstanding (000s)						
Basic	<b>193,477</b>	191,812	1	<b>192,697</b>	190,799	1
Diluted	<b>198,147</b>	196,118	1	<b>196,405</b>	195,159	1

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

**FINANCIAL STATEMENTS**

Kelt’s unaudited consolidated interim financial statements and related notes for the quarter ended September 30, 2023 will be available to the public on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) and will also be posted on the Company’s website at [www.keltexploration.com](http://www.keltexploration.com) on November 9, 2023.

Kelt's operating results for the third quarter ended September 30, 2023 are summarized as follows:

OPERATIONAL HIGHLIGHTS <i>(CA\$ thousands, except as otherwise indicated)</i>	Three months ended September 30			Nine months ended September 30		
	2023	2022	%	2023	2022	%
Average daily production						
Oil (bbls/d) <sup>(2)</sup>	7,170	5,192	38	7,691	5,378	43
NGLs (bbls/d)	3,416	3,906	-13	3,873	4,242	-9
Gas (Mcf/d)	105,555	100,158	5	109,970	104,078	6
Combined (BOE/d)	28,179	25,791	9	29,892	26,966	11
Production per million common shares (BOE/d)	146	134	9	155	141	10
Net realized prices, before financial instruments <sup>(1)</sup>						
Oil (\$/bbl) <sup>(2)</sup>	104.73	115.92	-10	98.78	120.92	-18
NGLs (\$/bbl)	48.11	63.59	-24	49.11	69.60	-29
Gas (\$/Mcf)	2.92	6.38	-54	3.20	6.68	-52
Operating netbacks (\$/BOE) <sup>(1)</sup>						
Petroleum and natural gas sales ("P&NG sales")	45.12	60.38	-25	44.92	62.57	-28
Cost of purchases	(1.80)	(2.64)	-32	(1.42)	(1.76)	-19
Combined net realized price, before financial instruments <sup>(1)</sup>	43.32	57.74	-25	43.50	60.81	-28
Realized gain (loss) on financial instruments	(0.64)	(8.77)	-93	1.81	(8.26)	-122
Combined net realized price, after financial instruments <sup>(1)</sup>	42.68	48.97	-13	45.31	52.55	-14
Royalties	(5.97)	(7.04)	-15	(5.05)	(6.75)	-25
Production expense	(9.57)	(10.52)	-9	(10.26)	(9.98)	3
Transportation expense	(3.78)	(3.22)	17	(3.43)	(3.08)	11
Operating netback <sup>(1)</sup>	23.36	28.19	-17	26.57	32.74	-19
Land holdings						
Gross acres				803,399	788,999	2
Net acres				587,818	572,937	3

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

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

## MESSAGE TO SHAREHOLDERS

Kelt's average production for the three months ended September 30, 2023, was 28,179 BOE per day, up 9% from average production of 25,791 BOE per day during the corresponding period in 2022 and down 5% from average production of 29,705 BOE per day during the second quarter of 2023. Quarter-over-quarter production was down primarily due to third-party gas plant facility constraints and maintenance. During the third quarter, the NRM McMahon Gas Plant was shut-in for approximately a month as it conducted its periodic turnaround operations. As a result, Kelt was required to shut-in its Oak production during that period. At Wembley, the TWM Pipestone Gas Plant was only able to process 84% of Kelt's firm gas processing capacity during the third quarter of 2023 due to facility restrictions. The TWM Pipestone Gas Plant is expected to be shut-in for approximately two weeks in November as it repairs the cause of the facility restrictions.

Production for the three months ended September 30, 2023, was weighted 38% oil and NGLs and 62% gas.

Kelt's realized average oil price during the third quarter of 2023 was \$104.73 per barrel, down 10% from \$115.92 per barrel in the third quarter of 2022. The realized average NGLs price during the third quarter of 2023 was \$48.11 per barrel, down 24% from \$63.59 per barrel in the same quarter of 2022. Kelt's realized average gas price for the third quarter of 2023 was \$2.92 per Mcf, down 54% from \$6.38 per Mcf in the corresponding quarter of the previous year.

For the three months ended September 30, 2023, petroleum and natural gas sales were \$117.0 million and adjusted funds from operations was \$58.8 million (\$0.30 per share, diluted), compared to \$143.3 million and \$65.2 million (\$0.33 per share, diluted) respectively, in the third quarter of 2022. On September 30, 2023, net debt was \$15.9 million or 0.1 times trailing twelve months adjusted funds from operations.

Net capital expenditures incurred during the three months ended September 30, 2023, were \$98.3 million. During the third quarter of 2023, the Company spent \$76.9 million on drill and complete operations and \$20.5 million on facilities, pipelines, and equipment.

Kelt expects to spend \$285.0 million in its capital expenditure program for 2023, unchanged from its previous forecast. Production during 2023 is forecasted to average between 30,500 and 31,750 BOE per day, an increase of 14% using the mid-point of the range compared to average production of 27,236 BOE per day in 2022. Production guidance for 2023 has been reduced from previous guidance of 31,000 to 33,000 BOE per day to account for the shut-in production described earlier in this news release. Adjusted funds from operations for 2023 is forecasted to be \$280.0 million or 1% higher than the Company's previous forecast of \$276.0 million. On December 31, 2023, the Company expects to have net debt of \$11.3 million, 41% lower than its previous forecast of \$19.0 million.

## 2024 Budget

The Company's Board of Directors has approved an initial capital expenditure budget of \$350.0 million for 2024. Kelt expects to drill 35 gross (34.0 net) wells in 2024 and expects to complete 37 gross (36.0 net) wells during the year. The 2024 capital expenditures are expected to be allocated as follows: \$247.0 million for drilling and completing wells, \$83.0 million for facilities, pipeline, and equipment and \$20.0 million for land and seismic.

Preparation of the 2024 budget includes the following forecasted average commodity price assumptions (with estimated average forecasted 2023 commodity prices shown for comparative purposes):

Commodity Index	2024 Budget	2023 Forecast	Change
WTI Crude Oil (USD/bbl)	80.00	78.50	2%
MSW Crude Oil (CAD/bbl)	102.68	101.58	1%
NYMEX Henry Hub Daily Index Natural Gas (USD/MMBtu)	3.50	2.60	35%
DAWN Gas Daily Index (USD/MMBtu)	3.55	2.50	42%
AECO NIT 5A Gas Daily Index (CAD/GJ)	3.16	2.62	21%
STATION 2 Gas Daily Index (CAD/GJ)	2.96	2.30	29%
Exchange Rate (USD/CAD)	0.7353	0.7427	(1%)
Exchange Rate (CAD/USD)	1.3600	1.3465	1%

Financial and operating highlights for the Company's 2024 budget plan compared to its 2023 forecast are highlighted in the table below:

Financial and Operating Highlights (\$ MM, unless otherwise specified)	2024 Budget	2023 Forecast	Change
Production <sup>[2]</sup>			
Oil & NGLs (bbls/d)	14,250 – 15,750	11,910 – 12,660	22%
Gas (MMcf/d)	130,500 – 139,500	111,540 – 114,540	19%
Combined (BOE/d)	36,000 – 39,000	30,500 – 31,750	20%
P&NG Sales	670.0	509.0	32%
Adjusted Funds from Operations <sup>[1]</sup>	350.0	280.0	25%

<b>Financial and Operating Highlights</b> (\$ MM, unless otherwise specified)	<b>2024 Budget</b>	2023 Forecast	Change
AFFO per share, diluted (\$/share) <sup>[1]</sup>	<b>1.76</b>	1.42	24%
Capital Expenditures, net of A&D <sup>[1]</sup>	<b>350.0</b>	285.0	23%
Net Debt, at year-end <sup>[1]</sup>	<b>11.3</b>	11.3	-
<i>Notes:</i>			
<i>[1] Refer to advisories regarding "Non-GAAP and Other Financial Measures".</i>			
<i>[2] Percent change for production is calculated using the mid-point of each production range.</i>			

In its Pouce Coupe/Progress/Spirit River Division, during 2024, Kelt expects to drill 11 (gross) and 10.0 (net) wells targeting Montney gas and Charlie Lake oil horizons. Kelt currently has access to approximately 72 MMcf per day of raw gas processing capacity through a plant ownership interest and third-party facility firm service arrangements. Kelt expects to increase its overall raw gas processing capacity in the area to 107 MMcf per day over the next two years with incremental firm service arrangements, giving the Company access to five different gas plants in the area.

In its Wembley/Pipestone Division, during 2024, Kelt expects to drill 16 (gross) and 16.0 (net) wells targeting Montney and Charlie Lake oil horizons. The Company plans to have three multi-well pad development operations consisting of four wells, five wells and four wells respectively as it prepares to add production upon start-up of incremental gas processing capacity. Kelt expects to increase firm service raw gas processing capacity from 37 MMcf per day to 109 MMcf per day over the next 15 months. The Company has entered into gas processing arrangements with certain midstream companies that are building a new gas processing plant and expanding an existing gas processing plant in the area. The additional 22 MMcf per day of firm service processing capacity that was anticipated by Kelt to become available in the first quarter of 2024, could become available in late 2023. The remaining 50 MMcf per day of firm service processing capacity is expected to become available in the fourth quarter of 2024.

New production additions at Wembley/Pipestone resulting from increased gas processing capacity is expected to increase the Company's oil and NGLs weighting as this production is expected to be 57% to 62% weighted to oil and NGLs.

In its Oak/Flatrock Division, Kelt expects to commence drilling operations on a 11-well development program in November 2023 and anticipates completing drilling operations by spring break-up in 2024. The first well is expected to be spud on November 17, 2023. Kelt has the ability to increase firm service raw gas processing capacity from 25 MMcf per day to 90 MMcf per day over the next 30 months through gas processing arrangements with a third-party at Oak.

Management looks forward to updating shareholders with 2023 year-end results on or about March 8, 2024. The Company also expects to provide an updated reserves evaluation report effective December 31, 2023 during February 2024.

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 years 2023 and 2024. 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 wells being drilled, the expected*

*timing of well completions, the expected timing of wells being tie-in and brought on-production, the expected timing and amount of capital expenditures, the expected timing of facility start-up dates, the expected timing of production additions from capital expenditures, the expected timing of third party facility repairs and processing constraints, the expected timing and capacity of the increase in third party gas processing capacity, the expected increase to the Company's oil and NGLs weighting, 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; 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; geopolitical risks; general economic conditions, stock market volatility; timing around 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 dividing the Company's P&NG sales after cost of purchases by the Company's production and reflects Kelt's realized selling prices plus the net benefit of oil blending and third-party natural gas sales. In addition to using its own production, the Company may purchase butane and crude oil from third parties for use in its blending operations, with the objective of selling the blended oil product at a premium. Marketing revenue from the sale of third-party volumes is included in P&NG sales as reported in the Consolidated Statement of Net Income and Comprehensive Income 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, and excludes the sale of third-party marketing volumes, management believes that disclosing its net realized prices based on P&NG sales after cost of purchases is more appropriate and useful, because the cost of third-party volumes purchased to generate the incremental marketing revenue has been deducted. Net realized prices referenced throughout this press release are before derivative financial instruments, except as otherwise indicated as being after derivative 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 derivative 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 nine months ended September 30, 2023, 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 used in investing activities”, and is calculated as follows:

(CA\$ thousands, except as otherwise indicated)	Three months ended		Nine months ended	
	2023	2022	2023	2022
		September 30		September 30
<b>Cash used in investing activities</b>	<b>68,613</b>	74,331	<b>183,161</b>	233,029
Change in non-cash investing working capital	<b>29,674</b>	1,850	<b>36,790</b>	15,917
<b>Capital expenditures, net of A&amp;D</b>	<b>98,287</b>	76,181	<b>219,951</b>	248,946
Property acquisitions	-	(919)	<b>(92)</b>	(921)
Property dispositions	-	-	-	41
<b>Capital expenditures, before A&amp;D</b>	<b>98,287</b>	75,262	<b>219,859</b>	248,066

### CAPITAL MANAGEMENT MEASURES

#### Adjusted funds from operations

Management considers 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 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”. Adjusted funds from operations is calculated as follows:

	Three months ended		Nine months ended	
	2023	2022	2023	2022
		September 30		September 30
<b>Cash provided by operating activities</b>	<b>52,424</b>	85,104	<b>220,747</b>	242,280
Change in non-cash working capital	<b>5,492</b>	(20,502)	<b>(13,259)</b>	(10,972)
Settlement of decommissioning obligations	<b>856</b>	587	<b>2,094</b>	2,833
<b>Adjusted funds from operations</b>	<b>58,772</b>	65,189	<b>209,582</b>	234,141

#### 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 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.

Net debt (surplus) is calculated as follows:

	September 30, 2023	September 30, 2022
Bank debt	-	-
Accounts payable and accrued liabilities	<b>100,413</b>	107,887
Cash and cash equivalents	<b>(32,746)</b>	(21,141)
Accounts receivable and accrued sales	<b>(46,740)</b>	(50,017)
Prepaid expenses and deposits	<b>(5,010)</b>	(3,192)
<b>Net debt</b>	<b>15,917</b>	33,537

## **SUPPLEMENTARY FINANCIAL MEASURES**

*"Production per common share" is calculated by dividing total production by the basic weighted average number of common shares outstanding, as determined in accordance with GAAP.*

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

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

## **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
MMBTU	million British Thermal Units
\$MM	Million of dollars
CAD or CA\$	Canadian dollars
USD or US\$	United States dollars
A&D	Acquisitions and dispositions
AFFO	Adjusted funds from operations
BOE	barrel of oil equivalent
BOE/d	barrel of oil equivalent per day
CAD	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
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
WTI	West Texas Intermediate

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