



PRESS RELEASE

(Stock Symbol “KEL” – TSX)

March 8, 2024

Calgary, Alberta

**KELT REPORTS FINANCIAL AND OPERATING RESULTS
FOR THE QUARTER AND YEAR ENDED DECEMBER 31, 2023**

Kelt Exploration Ltd. (“Kelt” or the “Company”) has released its financial and operating results for the fourth quarter and year ended December 31, 2023. The Company’s financial results are summarized as follows:

FINANCIAL HIGHLIGHTS <i>(CA\$ thousands, except as otherwise indicated)</i>	Three months ended December 31			Year ended December 31		
	2023	2022	%	2023	2022	%
Petroleum and natural gas sales	129,000	152,720	-16	495,580	613,358	-19
Cash provided by operating activities	62,477	63,742	-2	283,224	306,022	-7
Adjusted funds from operations ⁽¹⁾	66,618	92,851	-28	276,200	326,992	-16
Basic (\$/ common share) ⁽¹⁾	0.34	0.48	-29	1.43	1.71	-16
Diluted (\$/ common share) ⁽¹⁾	0.33	0.47	-30	1.40	1.67	-16
Net income and comprehensive income	23,729	54,238	-56	85,974	158,758	-46
Basic (\$/ common share)	0.12	0.28	-57	0.45	0.83	-46
Diluted (\$/ common share)	0.12	0.28	-57	0.44	0.81	-46
Capital expenditures, net of A&D ⁽¹⁾	62,695	68,594	-9	282,646	317,540	-11
Total assets				1,260,292	1,128,104	12
Bank debt				-	11,300	-100
Net debt ⁽¹⁾				12,997	9,789	33
Shareholders' equity				1,003,663	901,424	11
Return on average capital employed (%) ⁽¹⁾⁽²⁾				12	25	-52
Weighted average shares outstanding (000s)						
Basic	194,359	191,812	1	193,116	191,101	1
Diluted	199,223	195,828	2	197,063	195,456	1

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

(2) The three-year average ROACE as of December 31, 2023 was 19%. Refer to additional information under “Non-GAAP and Other Financial Measures”.

FINANCIAL STATEMENTS

Kelt's audited annual consolidated financial statements and related notes for the year ended December 31, 2023 will be available to the public on SEDAR+ at www.sedarplus.ca and will also be posted on the Company's website at www.keltexploration.com on March 8, 2024.

Kelt's operating results for the fourth quarter and year ended December 31, 2023 are summarized as follows:

OPERATIONAL HIGHLIGHTS <i>(CA\$ thousands, except as otherwise indicated)</i>	Three months ended December 31			Year ended December 31		
	2023	2022	%	2023	2022	%
Average daily production						
Oil (bbls/d) ⁽²⁾	8,832	6,416	38	7,979	5,640	41
NGLs (bbls/d)	3,422	3,478	-2	3,759	4,049	-7
Gas (mcf/d)	120,541	108,849	11	112,634	105,280	7
Combined (BOE/d)	32,344	28,036	15	30,510	27,236	12
Production per million common shares (BOE/d) ⁽¹⁾	166	146	14	158	143	10
Net realized prices, before financial instruments ⁽¹⁾						
Oil (\$/bbl) ⁽²⁾	95.68	107.88	-11	97.90	117.18	-16
NGLs (\$/bbl)	49.79	60.54	-18	49.27	67.64	-27
Gas (\$/mcf)	2.75	6.52	-58	3.08	6.63	-54
Operating netbacks (\$/BOE) ⁽¹⁾						
Petroleum and natural gas sales	43.35	59.21	-27	44.51	61.70	-28
Cost of purchases	(1.66)	(3.30)	-50	(1.50)	(2.16)	-31
Combined net realized price, before financial instruments ⁽¹⁾	41.69	55.91	-25	43.01	59.54	-28
Realized gain (loss) on financial instruments	0.09	1.66	-95	1.35	(5.68)	124
Combined net realized price, after financial instruments ⁽¹⁾	41.78	57.57	-27	44.36	53.86	-18
Royalties	(6.03)	(6.15)	-2	(5.31)	(6.60)	-20
Production expense	(8.62)	(10.90)	-21	(9.83)	(10.22)	-4
Transportation expense	(3.64)	(3.03)	20	(3.48)	(3.06)	14
Operating netback ⁽¹⁾	23.49	37.49	-37	25.74	33.98	-24
Land holdings						
Gross acres				796,519	795,559	-
Net acres				581,553	579,857	-

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

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

MESSAGE TO SHAREHOLDERS

Kelt Exploration Ltd. ("Kelt" or the "Company") reports its financial and operating results to shareholders for the fourth quarter and year ended December 31, 2023.

Average production for the three months ended December 31, 2023 was 32,344 BOE per day, up 15% compared to average production of 28,036 BOE per day during the fourth quarter of 2022. Average production for 2023 was 30,510 BOE per day, an increase of 12% from an average production of 27,236 BOE per day in 2022. Production for the three months ended December 31, 2023 was weighted 38% to oil and NGLs and 62% to gas.

Petroleum and natural gas sales during the fourth quarter of 2023 decreased 16% to \$129.0 million, down from \$152.7 million in the same period of the previous year. Petroleum and natural gas sales for the year were \$495.6 million, down 19% from \$613.4 million in 2022. Kelt's net realized average oil price during the fourth quarter of 2023 was \$95.68 per barrel, down 11% from \$107.88 per barrel in the fourth quarter of 2022. The Company's net realized average NGLs price during the fourth quarter of 2023 was \$49.79 per barrel, down 18% from \$60.54 per barrel in the fourth quarter of 2022. Kelt's net realized average gas price for the fourth quarter of 2023 was \$2.75 per Mcf, down 58% from \$6.52 per Mcf in the fourth quarter of 2022.

For the three months ended December 31, 2023, adjusted funds from operations was \$66.6 million (\$0.33 per share, diluted), compared to \$92.9 million (\$0.47 per share, diluted) in the fourth quarter of 2022. Year over year, adjusted funds from operations decreased 16% to \$276.2 million (\$1.40 per share, diluted) from \$327.0 million (\$1.67 per share, diluted) in 2022. During 2023, Kelt recorded net income of \$86.0 million (\$0.44 per share, diluted) compared to \$158.8 million (\$0.81 per share, diluted) in the previous year.

Kelt's return on average capital employed ("ROACE") was 12% in 2023 and 25% in 2022. The three year average ROACE was 19%, showing a significant return on capital employed as the Company transitions from exploration and resource delineation to development and multi-well pad drilling.

At December 31, 2023, Kelt had net debt of \$13.0 million compared to \$9.8 million at December 31, 2022. At a net debt to adjusted funds from operations ratio of 0.05 times, Kelt continues to maintain its strong financial position.

Capital expenditures, net of A&D incurred during the three months ended December 31, 2023 were \$62.7 million, down 9% compared to net capital expenditures of \$68.6 million during the fourth quarter of 2022. During the fourth quarter of 2023, the Company spent \$26.6 million on drill and complete operations and \$35.9 million on well equipment, facilities and pipelines.

Kelt expects to report to shareholders its 2024 first quarter results on or about May 9, 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 year 2024. Readers are cautioned that this financial outlook may not be appropriate for other purposes.

NON-GAAP AND OTHER KEY FINANCIAL MEASURES

This press release contains certain non-GAAP financial measures and other specified financial measures, as described below, which do not have standardized meanings prescribed by GAAP and do not have standardized meanings under the applicable securities legislation. As these non-GAAP, and other specified 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.

Combined net realized prices referenced throughout this press release are before derivative financial instruments (“combined net realized price, before financial instruments”), except as otherwise indicated as being after derivative financial instruments (“combined net realized price, after financial instruments”).

See the “Petroleum and Natural Gas Sales” section of Kelt’s MD&A as at and for the year ended December 31, 2023, which provides a reconciliation of the net realized price to P&NG sales, which is a GAAP measure.

Operating income and operating netback

Operating income 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 income on a per BOE basis, referred to as “operating netback” or “operating income per BOE”, 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 MD&A as at and for the year ended December 31, 2023, which provides a reconciliation of the operating income 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		Year ended	
	December 31		December 31	
	2023	2022	2023	2022
Cash used in investing activities	82,324	95,916	265,485	328,945
Change in non-cash investing working capital	(19,629)	(27,322)	17,161	(11,405)
Capital expenditures, net of A&D	62,695	68,594	282,646	317,540
Property acquisitions ⁽¹⁾	(10)	(12)	(102)	(933)
Property dispositions ⁽¹⁾	50	-	50	41
Capital expenditures, before A&D	62,735	68,582	282,594	316,648

(1) Property acquisitions and property dispositions for the year ended December 31, 2023 includes \$6.9 million of non-cash consideration. Property acquisitions and property dispositions for the year ended December 31, 2022 includes \$2.5 million of non-cash consideration

Average capital employed

Kelt calculates average capital employed as the total of net debt plus the short and long term lease obligations and shareholders equity. Kelt uses average capital employed as a measure of long-term capital management and operating performance, and as a component in the calculation for ROACE. The table below provides a reconciliation of average capital employed to the most directly comparable GAAP measures of shareholders equity.

(CA\$ thousands, except as otherwise indicated)	December 31, 2023	December 31, 2022	December 31, 2021
Net debt – beginning of period	9,789	28,220	(27,655)
Current portion of lease obligations	505	609	684
Long-term portion of lease obligations	543	399	780
Shareholders' equity - beginning of period	901,424	722,724	603,684
Opening capital employed (A)	912,261	751,952	577,493
Net debt – end of period	12,997	9,789	28,220
Current portion of lease obligations	1,125	505	609
Long-term portion of lease obligations	332	543	399
Shareholders' equity - end of period	1,003,663	901,424	722,724
Closing capital employed (B)	1,018,117	912,261	751,952
Average capital employed (A+B)/2	965,189	832,107	664,723

Return on average capital employed

Kelt calculates ROACE, expressed as a percentage, as adjusted EBIT divided by the average capital employed. The components adjusted EBIT and average capital employed are non-GAAP financial measures. Kelt uses ROACE as a measure of long-term financial performance.

(CA\$ thousands, except as otherwise indicated)	Three-year Average	December 31, 2023	December 31, 2022	December 31, 2021
Adjusted EBIT		115,787	211,659	136,132
Average capital employed		965,189	832,107	664,723
ROACE (%)	19%	12%	25%	20%

CAPITAL MANAGEMENT MEASURES:

Funds from operations and adjusted funds from operations

Management considers funds from operations and adjusted funds from operations as a key capital management measure as it demonstrates the Company's ability to meet its financial obligations and cash flow available to fund its capital program. Funds from operations and 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". Funds from operations and adjusted funds from operations are calculated as follows:

(CA\$ thousands, except as otherwise indicated)	Three months ended December 31		Year ended December 31	
	2023	2022	2023	2022
Cash provided by operating activities	62,477	63,742	283,224	306,022
Change in non-cash working capital	1,697	28,742	(11,562)	17,770
Funds from operations	64,174	92,484	271,662	323,792
Settlement of decommissioning obligations	2,444	367	4,538	3,200
Adjusted funds from operations	66,618	92,851	276,200	326,992

Net debt (surplus) and net debt (surplus) to adjusted funds from operations ratio

Management considers net debt (surplus) and a net debt (surplus) to adjusted funds from operations ratio as key capital management measures to assess the Company's liquidity at a point in time and to monitor its capital structure and short-term financing requirements. The "net debt (surplus) to adjusted funds from operations ratio" is also indicative of the "net debt to cash flow ratio" 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).

“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 is calculated as follows:

	<i>December 31,</i> <i>2023</i>	<i>December 31,</i> <i>2022</i>
<i>Bank debt</i>	-	11,300
<i>Accounts payable and accrued liabilities</i>	85,171	83,288
<i>Cash and cash equivalents</i>	(14,340)	(125)
<i>Accounts receivable and accrued sales</i>	(52,646)	(81,075)
<i>Prepaid expenses and deposits</i>	(5,188)	(3,599)
<i>Net debt</i>	12,997	9,789

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 derivative 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

<i>A&D</i>	<i>Acquisitions and Dispositions</i>
<i>P&NG</i>	<i>Petroleum and Natural Gas</i>
<i>MD&A</i>	<i>Management's Discussion and Analysis</i>
<i>TSX</i>	<i>the Toronto Stock Exchange</i>
<i>KEL</i>	<i>trading symbol for Kelt Exploration Ltd. on the TSX</i>
<i>GAAP</i>	<i>Generally Accepted Accounting Principles</i>
<i>SEDAR+</i>	<i>the System for Electronic Document Analysis and Retrieval</i>
<i>ROACE</i>	<i>return on average capital employed</i>
<i>bbls</i>	<i>barrels</i>
<i>bbls/d</i>	<i>barrels per day</i>
<i>Mcf</i>	<i>thousand cubic feet</i>
<i>Mcf/d</i>	<i>thousand cubic feet per day</i>
<i>BOE</i>	<i>barrel of oil equivalent</i>
<i>BOE/d</i>	<i>barrel of oil equivalent per day</i>
<i>NGLs</i>	<i>natural gas liquids</i>

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