FIRST QUARTER REPORT

AS AT AND FOR THE THREE MONTHS ENDED

MARCH 31, 2025

[THIS PAGE IS INTENTIONALLY BLANK]

FINANCIAL AND OPERATIONAL HIGHLIGHTS	Three months ended March 31		
(CA$ thousands, except as otherwise indicated)	**2025**	2024	%
FINANCIAL			
Petroleum and natural gas sales	**142,501**	126,391	13
Cash provided by operating activities	**86,929**	62,493	39
Adjusted funds from operations [(1)]	**78,214**	61,176	28
Basic ($/ common share) [(1)]	**0.40**	0.31	29
Diluted ($/ common share) [(1)]	**0.39**	0.31	26
Net income and comprehensive income	**18,979**	11,847	60
Basic ($/ common share)	**0.10**	0.06	67
Diluted ($/ common share)	**0.09**	0.06	50
Capital expenditures, net of A&D [(1)]	**104,746**	80,181	31
Total assets	**1,512,752**	1,282,456	18
Bank debt	**102,766**	-	-
Net debt [(1)]	**150,024**	31,961	369
Shareholders' equity	**1,086,264**	1,018,604	7
Weighted average shares outstanding (000s)			
Basic	**197,531**	194,655	1
Diluted	**200,525**	198,285	1
OPERATIONS			
Average daily production			
Oil (bbls/d) [(2)]	**9,444**	8,758	8
NGLs (bbls/d)	**5,631**	3,497	61
Gas (Mcf/d)	**149,637**	123,931	21
Combined (BOE/d)	**40,015**	32,910	22
Production per million common shares (BOE/d) [(1)]	**203**	169	20
Net realized prices, before derivative financial instruments [(1)]			
Oil ($/bbl)	**93.32**	90.15	4
NGLs ($/bbl)	**41.07**	52.18	-21
Gas ($/Mcf)	**2.93**	2.94	-
Operating netbacks ($/BOE) [(1)]			
Petroleum and natural gas sales	**39.57**	42.20	-6
Cost of purchases	**(0.81)**	(1.61)	-50
Combined net realized price, before derivative financial instruments [(1)]	**38.76**	40.59	-5
Realized gain on derivative financial instruments	**1.77**	-	-
Combined net realized price, after derivative financial instruments [(1)]	**40.53**	40.59	-
Royalties	**(4.23)**	(5.02)	-16
Production expense	**(9.54)**	(10.42)	-8
Transportation expense	**(3.51)**	(3.46)	1
Operating netback [(1)]	**23.25**	21.69	7
Land holdings			
Gross acres	**791,558**	791,879	-
Net acres	**590,525**	578,975	2

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

MESSAGE TO SHAREHOLDERS

Kelt Exploration Ltd. ("Kelt" or the "Company") reports its financial and operating results to shareholders for the first quarter ended March 31, 2025.

Kelt's average production for the three months ended March 31, 2025 reached a new Company high quarterly production average record of 40,015 BOE per day, up 22% from average production of 32,910 BOE per day during the corresponding quarter in 2024. Production for the first quarter of 2025 was weighted 38% oil and NGLs and 62% gas. Operating income was weighted 80% oil and NGLs and 20% gas.

Kelt's realized average oil price during the first quarter of 2025 was $93.32 per barrel, up 4% from $90.15 per barrel in the first quarter of 2024. The realized average NGLs price during the first quarter of 2025 was $41.07 per barrel, down 21% from $52.18 per barrel in the same quarter of 2024. Kelt's realized average gas price for the first quarter of 2025 was $2.93 per Mcf, relatively unchanged from $2.94 per Mcf in the corresponding quarter of the previous year.

On a barrel of oil equivalent basis, Kelt realized $38.76 per BOE in sales, down 5% from $40.59 per BOE in the first quarter of 2024. In addition, the Company realized $6.4 million in gains from derivative financial instruments, adding $1.77 per BOE to its netback in the first quarter of 2025.

For the three months ended March 31, 2025, petroleum and natural gas sales were $142.5 million and adjusted funds from operations was $78.2 million ($0.39 per share, diluted), compared to $126.4 million and $61.2 million ($0.31 per share, diluted) respectively, in the first quarter of 2024. On March 31, 2025, net debt was $150.0 million or 0.5 times annualized first quarter 2025 adjusted funds from operations.

Net capital expenditures incurred during the three months ended March 31, 2025, were $104.7 million. During the first quarter of 2025, the Company spent $48.6 million on drill and complete operations, $45.1 million on facilities, pipelines, and equipment and $10.7 million on a seismic shoot.

Kelt expects to spend $325.0 million on its capital expenditure program during 2025, a decrease of 1% from its previous forecast. Production during 2025 is forecasted to average between 44,000 and 47,000 BOE per day, an increase of 33% at the low end of the range and an increase of 42% at the high end of the range compared to average production of 33,115 BOE per day in 2024. Adjusted funds from operations for 2025 is forecasted to be $325.0 million or 6% lower than the Company's previous forecast of $345.0 million. The Company reduced its forecasted 2025 average WTI oil price by 9% from US$69.00 per barrel to US$63.00 per barrel. On December 31, 2025, the Company expects to have net debt of $126.0 million, representing 0.4 times forecasted 2025 adjusted funds from operations.

2025 Guidance

The Company's 2025 capital expenditure budget of $325.0 million includes the drilling of 33 (28.6 net) wells and the completion of 34 (29.6 net) wells during the year. The 2025 capital expenditures are expected to be allocated as follows: $194.0 million for drilling and completing wells, $110.0 million for facilities, pipeline, and equipment and $21.0 million for land and seismic.

Preparation of the 2025 capital expenditure budget includes the following forecasted average commodity price assumptions (with average 2024 commodity prices shown for comparative purposes):

Commodity Index	2025 Forecast	2024	Change
WTI Crude Oil (USD/bbl)	63.00	76.56	(18%)
MSW Crude Oil (CAD/bbl)	82.75	98.70	(16%)
NYMEX Henry Hub Natural Gas Daily Index (USD/MMBtu)	3.90	2.25	73%
DAWN Gas Daily Index (USD/MMBtu)	3.65	1.97	85%
AECO NIT 5A Gas Daily Index (CAD/GJ)	2.46	1.39	77%
STATION 2 Gas Daily Index (CAD/GJ)	1.85	1.13	64%
Exchange Rate (USD/CAD)	0.7150	0.7299	(2%)
Exchange Rate (CAD/USD)	1.3986	1.3700	2%

Financial and operating highlights for the Company's 2025 forecast compared to its 2024 results are highlighted in the table below:

Financial and Operating Highlights ($ MM, unless otherwise specified)	2025 Forecast	2024	Change
Production *[2]*			
Oil & NGLs (bbls/d)	16,500 – 18,000	12,298	40%
Gas (MMcf/d)	165,000 – 174,000	124,902	36%
Combined (BOE/d)	44,000 – 47,000	33,115	37%
P&NG Sales *[1]*	611.0	468.4	30%
Adjusted Funds from Operations *[1]*	325.0	222.0	46%
AFFO per share, diluted ($/share) *[1]*	1.60	1.11	44%
Capital Expenditures, net of A&D *[1]*	325.0	333.1	(2%)
Net Debt, at year-end *[1]*	126.0	124.9	1%
Net Debt / AFFO ratio	0.4 x	0.6 x	(33%)
Notes: *[1] Refer to advisories regarding "Non-GAAP and Other Financial Measures".* *[2] Percent change for production is calculated using the mid-point of each production range.*			

In its Pouce Coupe/Progress/Spirit River Division, Kelt has drilled two Montney wells at Pouce Coupe West, on its high deliverability gas land block. Kelt has completed these wells in the second quarter and will put them on production with the expected start-up of the newly constructed third-party gas plant at Gordondale West in late May.

At Pouce Coupe North, Kelt has drilled two Montney wells which are expected to be completed and put on production in the third quarter of 2025.

In its Wembley/Pipestone Division, Kelt completed three Montney wells on the 14-2 pad. These wells were drilled in 2024. In addition, the Company drilled four wells off its 9-17 pad and expects to complete these wells during the second quarter of 2025. Kelt has moved a rig over to its 6-9 pad where the Company has a 5-well pad development drilling program underway.

At Wembley, during the first quarter of 2025, Kelt drilled and completed two (1.18 net) wells in the Charlie Lake formation which are now on production.

At Wembley/Pipestone, Kelt expects to increase its firm service raw gas processing capacity from 59 MMcf per day to 124 MMcf per day by the end of 2025. The Company has 50 MMcf per day of gas processing service at the third-party owned Albright Gas Plant, which the Company has been advised by the owner, is expected to commence operations during June 2025. Kelt also has 15 MMcf per day of new gas processing capacity at an expansion of an existing third-party gas plant at Pipestone, which is expected to commence operations by the end of 2025.

In its Oak/Flatrock Division, Kelt has now completed an extensive 3-D seismic shoot covering approximately 286 square kilometres or approximately 70,400 acres (110 sections). Drilling at Oak is planned for the second half of 2025.

Management looks forward to updating shareholders with 2025 second quarter results on or about August 7, 2025.

On behalf of the Board of Directors,

[signed]

David J. Wilson
President and Chief Executive Officer
May 7, 2025

MANAGEMENT'S DISCUSSION & ANALYSIS

Kelt Exploration Ltd. ("Kelt" or the "Company") is an oil and gas company based in Calgary, Alberta, focused on the exploration, development and production of crude oil and natural gas resources in Western Canada. Kelt's business plan is for long-term profitable growth by implementing a full cycle exploration and development program, with emphasis on low-cost land accumulation with the potential for high rates of return on capital invested. Kelt has an active exploration and development drilling program that it may complement with acquisitions and dispositions that optimize its asset base.

The Company was incorporated under the *Business Corporations Act* (Alberta) on October 11, 2012. Kelt's assets are comprised of three core operating divisions, namely: (1) Wembley/Pipestone in Alberta; (2) Pouce Coupe/Progress/Spirit River in Alberta; and (3) Oak/Flatrock in British Columbia. The Company's British Columbia assets are operated by Kelt Exploration (LNG) Ltd. ("Kelt LNG"), a wholly owned subsidiary of Kelt. The head office of the Company is located at Suite 300, 311 - 6th Avenue S.W., Calgary, Alberta T2P 3H2. The Company's common shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "KEL". Additional information relating to Kelt can be found on SEDAR+ at www.sedarplus.ca.

This Management's Discussion and Analysis ("MD&A") is dated May 7, 2025 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes as at and for the three months ended March 31, 2025 and its audited annual consolidated financial statements and MD&A as at and for the year ended December 31, 2024. The accompanying condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

GENERAL ADVISORY

This MD&A contains certain specified financial measures consisting of non-GAAP measures, capital management measures, and supplementary financial measures. These non-GAAP and other financial measures include "funds from operations", "adjusted funds from operations", "adjusted funds from operations per common share", "petroleum and natural gas sales after cost of purchases", "operating income", "operating netback", "capital expenditures, before A&D", "capital expenditures, net of A&D", "net debt (surplus)", "net realized prices", "combined net realized prices", and "net debt (surplus) to adjusted funds from operations ratio" which do not have standardized meanings prescribed by generally accepted accounting principles ("GAAP") and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. For further information and reconciliation to Canadian generally accepted accounting principles "GAAP" measures, see "*Non-GAAP and Other Financial Measures*" in this MD&A.

This MD&A contains forward-looking information within the meaning of applicable Canadian securities laws. The use of the words "will", "expects", "believe", "plans", potential", "forecasts" and similar expressions are intended to identify forward-looking statements. Such forward-looking information is based upon certain expectations and assumptions and actual results may differ materially from those expressed or implied by such forward-looking information. For further information regarding the forward-looking information contained herein, including the assumptions underlying such forward-looking information, see *"Advisories Regarding Forward-Looking Statements"* in this MD&A.

BASIS OF PRESENTATION

All dollar amounts are referenced in thousands of Canadian dollars, except when noted otherwise. This MD&A 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.

FINANCIAL AND OPERATING SUMMARY

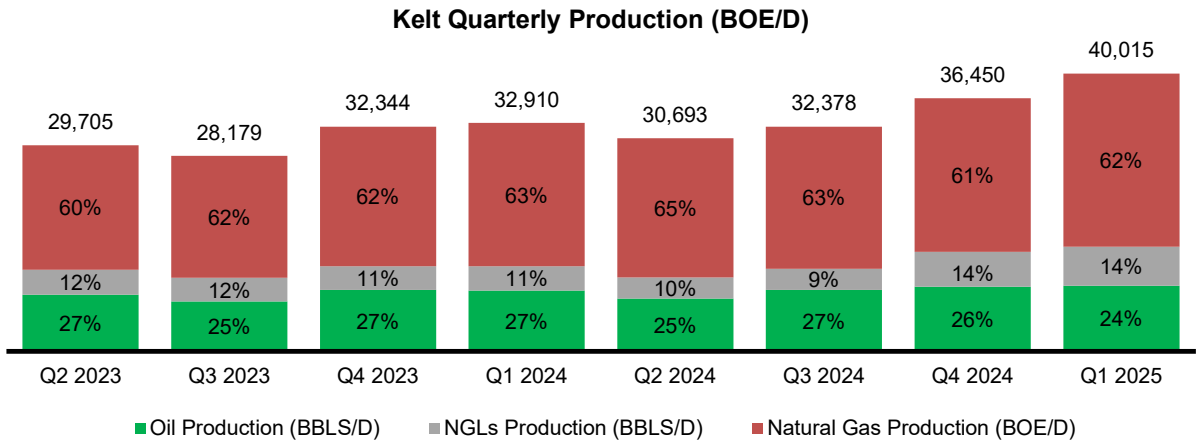
	Three months ended March 31		
(CA$ thousands, except as otherwise indicated)	**2025**	2024	%
FINANCIAL PERFORMANCE			
Petroleum and natural gas sales	**142,501**	126,391	13
Cash provided by operating activities	**86,929**	62,493	39
Adjusted funds from operations [(1)]	**78,214**	61,176	28
Diluted ($/ common share) [(1)]	**0.39**	0.31	26
Net income and comprehensive income	**18,979**	11,847	60
Diluted ($/ common share)	**0.09**	0.06	50
Capital expenditures, net of A&D [(1)]	**104,746**	80,181	31
Bank debt	**102,766**	-	-
Net debt [(1)]	**150,024**	31,961	369
OPERATIONAL PERFORMANCE			
Average daily production (BOE/d)	**40,015**	32,910	22
Combined net realized price, before derivative financial instruments [(1)]	**38.76**	40.59	-5
Combined net realized price, after derivative financial instruments [(1)]	**40.53**	40.59	-
Operating netback [(1)]	**23.25**	21.69	7

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

In the first quarter of 2025, Kelt's financial and operating results are highlighted by the following:

- **Production** – First quarter 2025 production averaged 40,015 BOE per day (38% liquids), an increase of 22% from 32,910 BOE (37% liquids) per day in the first quarter of 2024 and increased by 10% from 36,450 BOE per day (39% liquids) in the fourth quarter of 2024.
- **Petroleum and natural gas sales –** For the three months ended March 31, 2025, petroleum and natural gas sales increased by 13% compared to the first quarter of 2024. Kelt's combined net realized price before derivative financial instruments of $38.76 per BOE decreased 5% from the first quarter of 2024.
- **Operating netback** – Kelt's operating netback was $23.25 per BOE for the quarter ended March 31, 2025, up 7% from $21.69 per BOE during the quarter ended March 31, 2024. The increase in the operating netback was primarily due to a 16% decrease in royalties per BOE to $4.23, a 8% decrease in production expenses per BOE to $9.54 and an increase in realized gains on derivative financial instruments.
- **Cash provided by operating activities and adjusted funds from operations** – Cash provided by operating activities increased to $86.9 million in the first quarter of 2025 compared to $62.5 million in the first quarter of 2024. Adjusted funds from operations of $78.2 million during the three months ended March 31, 2025 ($0.39 per common share, diluted) increased 28% from the first quarter of 2024 primarily due to higher petroleum and natural gas sales, and an increase in realized gains on derivative financial instruments.
- **Net income** – Kelt reported net income of $19.0 million ($0.09 per common share, diluted) for the three months ended March 31, 2025, compared to net income of $11.9 million ($0.06 per common share, diluted) for the three months ended March 31, 2024. The increase in net income was primarily due to an increase in petroleum and natural gas sales which was partially offset by higher depletion and depreciation expenses.
- **Capital investments** – Capital expenditures, net of A&D, was $104.7 million in the first quarter of 2025 which included the drilling of 10.6 net wells and completion of 6.6 net wells.
- **Liquidity** – The Company ended the quarter with net debt of $150.0 million (0.6 times trailing 12-month adjusted funds from operations).

PRODUCTION

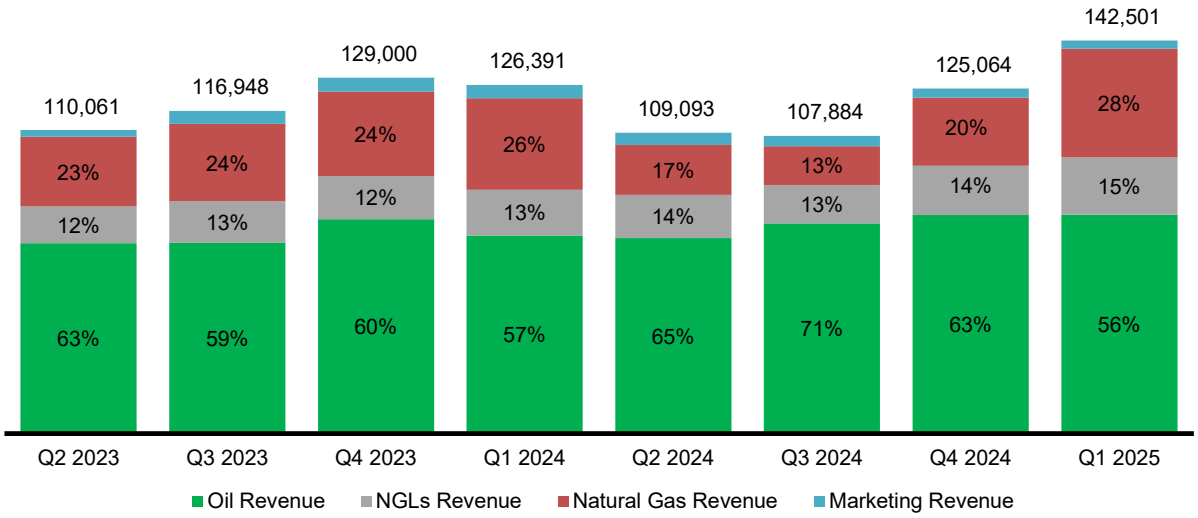


	Three months ended March 31		
(CA$ thousands, except as otherwise indicated)	**2025**	2024	%
Average daily production:			
Oil (bbls/d)	**9,444**	8,758	8
NGLs (bbls/d)	**5,631**	3,497	61
Gas (Mcf/d)	**149,637**	123,931	21
Combined (BOE/d)	**40,015**	32,910	22
Liquids weighting	**38%**	37%	3

Average production for the three months ended March 31, 2025 increased 22% compared to the same period in 2024 and increased 10% compared to the average production during the fourth quarter of 2024. The increase in production was primarily due to additional wells coming on-stream in Alberta, and third-party facility optimization work resulting in higher gas processing run times in Alberta. In the fourth quarter of 2024, Kelt added third-party natural gas processing at Oak which resulted in higher overall NGLs recoverability. The liquids weighting of total production increased slightly to 38% during the first quarter of 2025 compared to 37% in the comparable period of 2024.

PETROLEUM AND NATURAL GAS SALES ("P&NG SALES")

Kelt Quarterly Petroleum and Natural Gas Sales ($000)



	Three months ended March 31		
(CA$ thousands, except as otherwise indicated)	**2025**	2024	%
Oil	**79,230**	71,765	10
NGLs	**20,813**	16,603	25
Gas	**39,469**	33,103	19
Marketing revenue [(1)]	**2,989**	4,920	-39
P&NG Sales	**142,501**	126,391	13
Cost of purchases [(2)]	**(2,904)**	(4,835)	-40
P&NG Sales after cost of purchases [(3)(4)(5)]	**139,597**	121,556	15
Combined net realized price ($/BOE) [(4)(6)]	**38.76**	40.59	-5

(1) Marketing revenue includes the sale of third-party volumes related to the Company's oil blending operations and natural gas activities.

(2) Cost of purchases includes costs for the purchase of third-party volumes related to the Company's oil blending operations and natural gas activities.

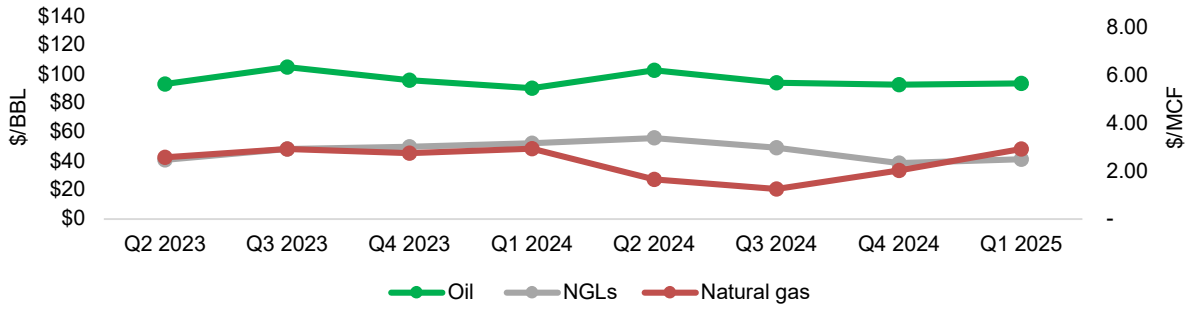
(3) P&NG sales after cost of purchases includes petroleum and natural gas sales, net of the cost of the third-party volumes purchased.

(4) Combined net realized price ($/BOE) equals P&NG sales after cost of purchases divided by total production.

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

Petroleum and natural gas sales in the first quarter of 2025 was $142.5 million, up 13% from $126.4 million in the first quarter of 2024. The increase in P&NG sales from 2024 was due to an increase in production which was offset by a 5% decrease in the combined net realized price.

Kelt Quarterly Realized Prices (1)



(1) Net realized prices are calculated based on Petroleum and Natural Gas Sales, less the cost of purchases of third-party volumes and reflect Kelt's realized commodity prices plus the net benefit of oil blending and natural gas marketing activities. Net realized prices exclude both realized and unrealized gains and losses on risk management contracts. Refer to additional information under the heading of "Non-GAAP and Other Financial Measures".

	Three months ended March 31		
(CA$ thousands, except as otherwise indicated)	**2025**	2024	%
Net realized prices (9)			
Oil ($/bbl)	**93.32**	90.15	4
NGLs ($/bbl)	**41.07**	52.18	-21
Gas ($/Mcf)	**2.93**	2.94	-
Combined ($/BOE)	**38.76**	40.59	-5
Average benchmark prices			
Oil and NGLs			
WTI Cushing Oklahoma (US$/bbl) (1)	**71.85**	77.57	-7
Mixed Sweet Blend Edmonton ("MSW") ($/bbl) (2)	**95.99**	92.98	3
Edmonton Pentane ($/bbl) (3)	**98.96**	98.84	-
Edmonton Butane ($/bbl) (3)	**47.84**	46.29	3
Edmonton Propane ($/bbl) (3)	**39.87**	30.09	33
Edmonton Ethane ($/bbl) (3)	**5.88**	6.07	-3
Natural Gas			
NYMEX Henry Hub (US$/MMBtu) (6)	**4.28**	2.43	76
AECO 5A (CA$/MMBtu) (4)	**2.16**	2.51	-14
Chicago Alliance, into Interstates (CA$/MMBtu) (5)	**5.75**	3.68	56
Dawn (CA$/MMBtu) (5)	**5.54**	3.08	80
Malin (CA$/MMBtu) (5)	**4.65**	4.25	9
Sumas (CA$/MMBtu) (5)	**3.65**	4.35	-16
Station 2 (CA$/MMBtu) (7)	**1.26**	2.62	-52
Marcellus (TZ4 L300) (CA$/MMBtu) (5)	**5.49**	2.41	128
Average exchange rate (CA$/US$) (8)	**1.4356**	1.3488	6

(1) Source: U.S Energy Information Administration, Canadian dollar equivalent price WTI price ("CA$WTI") is calculated based on the monthly average US dollar WTI price and the monthly average CA$/US$ exchange rate (8).

(2) Source: Tidal Energy Marketing.

(3) Source: Sproule Associates Limited.

(4) Source: Canadian Gas Price Reporter converted to CA$/MMBtu using monthly average CA$/US$ exchange rate (8).

(5) Source: S&P Global Platts (US$/MMBtu) Daily Midpoint Average converted to CA$/MMBtu using monthly average CA$/US$ exchange rate (8).

(6) Source: S&P Global Platts (US$/MMBtu) Daily Midpoint Average

(7) Source: S&P Global Platts (CA$/GJ) Daily Midpoint Average converted to CA$/MMBtu

(8) Source: Bank of Canada.

(9) Net realized prices are calculated based on Petroleum and Natural Gas Sales, less the cost of purchases of third-party volumes and reflect Kelt's

realized commodity prices plus the net benefit of oil blending and natural gas marketing activities. Net realized prices exclude both realized and unrealized gains and losses on derivative financial instruments. Refer to additional information under the heading of "Non-GAAP and Other Financial Measures".

Combined Net Realized Price

Kelt's combined net realized price decreased 5% to $38.76 per BOE in the first quarter of 2025 versus the comparable period in 2024. The decrease in the average realized price was primarily due to lower realized NGLs prices.

Oil prices

The mixed sweet blend benchmark crude oil price increased by 3% in the quarter ended March 31, 2025 compared to the first quarter of 2024. Benchmark crude oil prices remained relatively range-bound in the first quarter of 2024 between USD $70-80 per barrel.

NGL prices

NGLs prices are impacted both by benchmark prices, as well as localized market supply and demand issues.

For the three months ended March 31, 2025, Kelt's realized NGLs price decreased 21% compared to the same period in 2024. In the fourth quarter of 2024 Kelt added third-party natural gas processing resulting in higher overall NGLs recoverability, including lower value propane and ethane, which resulted in an overall reduction in Kelt's average NGLs realized price.

Natural gas prices

Kelt's realized natural gas price remained unchanged in the first quarter of 2025 compared to the first quarter of 2024. The increase in the NYMEX benchmark natural gas price in the first quarter of 2025 compared to the first quarter of 2024 was offset by a decrease in the AECO and Station 2 benchmark natural gas price resulting in a relatively consistent quarter over quarter average realized natural gas price.

RISK MANAGEMENT AND HEDGING ACTIVITIES

The Company may enter into fixed price contracts and derivative financial instruments for commodity prices, currency exchange and interest rates in order to secure future cash flows or to protect a desired level of capital spending. Fair value accounting for derivative financial instruments may cause significant fluctuations in the reported amounts of derivative financial instrument assets and liabilities and the resultant magnitude of unrealized gains and losses.

The table below summarizes realized and unrealized gains (losses) on derivative financial instrument contracts:

	Three months ended March 31		
	2025	2024	%
Realized gain (loss)	**6,372**	(1)	-
Unrealized loss	**(6,326)**	(6,949)	-9
Loss on derivative financial instruments	**46**	(6,950)	-101
$ per BOE	**0.01**	(2.32)	-100

Commodity price risk

Inherent to the business of producing oil and gas, the Company's cash provided by operating activities is subject to commodity price risk. Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices are impacted by economic events that dictate the levels of supply and demand as well as the currency exchange rate relationship between the Canadian and U.S. dollar.

As of May 7, 2025, the following commodity price derivative financial instrument contracts are outstanding:

Crude oil derivative financial instrument swap contracts

Contract Type [1]	Notional Volume	Contract Price	Remaining Term
WTI fixed price swap	1,000 bbl/d	CAD$106.46/bbl	Apr 25 – Jun 25
WTI fixed price swap	2,000 bbl/d	USD$69.6575/bbl	Apr 25 – Dec 25
WTI option [2]	500 bbl/d	Settles monthly if WTI price > USD$70.50/bbl	Jan 25 – Dec 25

(1) West Texas Intermediate ("WTI")

(2) The WTI option is settled monthly at USD$70.50/bbl if the average WTI price is above USD$70.50/bbl.

NGL derivative financial instrument swap contracts

Contract Type	Notional Volume	Contract Price	Remaining Term
OPIS-Conway propane fixed price swap	250 bbl/d	USD$33.60/bbl	Apr 25 – Mar 26
OPIS-Conway propane basis swap	250 bbl/d	Monthly OPIS-Conway basis calculated at 46% of the floating monthly WTI price	Apr 25 – Mar 26

Natural gas derivative financial instrument contracts

Contract Type [1]	Notional Volume	Contract Price $/MMBtu	Remaining Term
NYMEX swap	20,000 MMBtu/d	CAD$6.405/MMBtu	Apr 25 – Dec 25
AECO 7A swap	5,000 GJ/d	CAD$1.85/GJ	Apr 25
AECO 7A swap	10,000 GJ/d	CAD$1.9275/GJ	May 25 – Jul 25
NYMEX costless collar	10,000 MMBtu/d	Floor: CAD$5.00/MMBtu Ceiling: CAD$10.00/MMBtu	Apr 25 – Dec 25
NYMEX-Dawn basis swap	5,000 MMBtu/d	NYMEX less CAD$0.635/MMBtu	Apr 25 – Jun 25

(1) NYMEX Henry Hub ("NYMEX")

Natural gas embedded derivative

Contract Type	Notional Volume	Contract Price [1]	Remaining Term
Physical delivery contract	2,513 GJ/d	Floating AESO power pool price (CAD/MWh) divided by the Fixed Heat Rate of 17.95 GJ/MWh	Apr 25 – Dec 26
Physical delivery contract	7,349 GJ/d	Floating AESO power pool price (CAD/MWh) divided by the Fixed Heat Rate of 16.75 GJ/MWh	Jan 26 – Dec 26

(1) Alberta Electric System Operator ("AESO")

The Company has natural gas physical supply agreements, with a term from January 1, 2025 to December 31, 2026, to deliver gas to the Nova Inventory Transfer point, which contains an embedded derivative. Under the terms of the agreements, the Company receives a price equal to the Floating AESO Power Pool Price divided by the fixed heat rate.

The fair value of the embedded derivative is calculated by the difference between the forecasted Floating AESO Power Pool Price divided by the fixed heat rate, less the forecasted AECO 5A price, for the remaining term of the contract.

In addition to the derivative contracts above, the Company has the following fixed price sales contracts for physical delivery:

Natural gas physical delivery contracts

Contract Type	Notional Volume	Contract Price	Remaining Term
AECO 7A	5,000 GJ/d	CAD$1.86/GJ	Apr 25 – Jul 25
AECO 7A	5,000 GJ/d	CAD$1.91/GJ	Apr 25 – Oct 25
AECO 7A (physical) collar	5,000 GJ/d	Ceiling – $3.90/GJ; Floor – $1.70/GJ	Apr 25 – Mar 26

Interest rate risk

The Company is exposed to interest rate risk as changes in market interest rates will impact the Credit Facility which is subject to a floating interest rate. Based on bank debt balance as of March 31, 2025 of $102.8 million, an increase (decrease) in the market rate of interest by 25 basis points would have an increased (decreased) annualized interest expense of $0.3 million. As of May 7, 2025, there are no interest rate risk management contracts outstanding.

Foreign exchange risk

Kelt is exposed to fluctuations of the Canadian to U.S. dollar exchange rate given realized pricing is directly influenced by U.S. dollar denominated benchmark pricing and from exposure from certain U.S. dollar denominated natural gas marketing arrangements.

As of May 7, 2025, the following foreign exchange risk management contracts are outstanding:

Foreign exchange derivative financial instrument swap contracts

Contract Type	Notional Volume	Contract/Exercise Price	Remaining Term
CAD/USD swap	USD$7.0 million/month	$1.3796 CAD/USD	Apr 25 – Jun 25
CAD/USD swap	USD$6.0 million/month	$1.3795 CAD/USD	Jul 25 – Dec 25

Foreign exchange derivative financial instrument option contracts

Contract Type	Notional Volume	Contract/Exercise Price	Exercise/ expiration date	Term if exercised
Sold call option	USD$2.0 million/month	$1.3820 CAD/USD	Dec 31, 2025	Jan 26 – Dec 26
Sold call option	USD$2.0 million/month	$1.3800 CAD/USD	Dec 31, 2025	Jan 26 – Dec 26

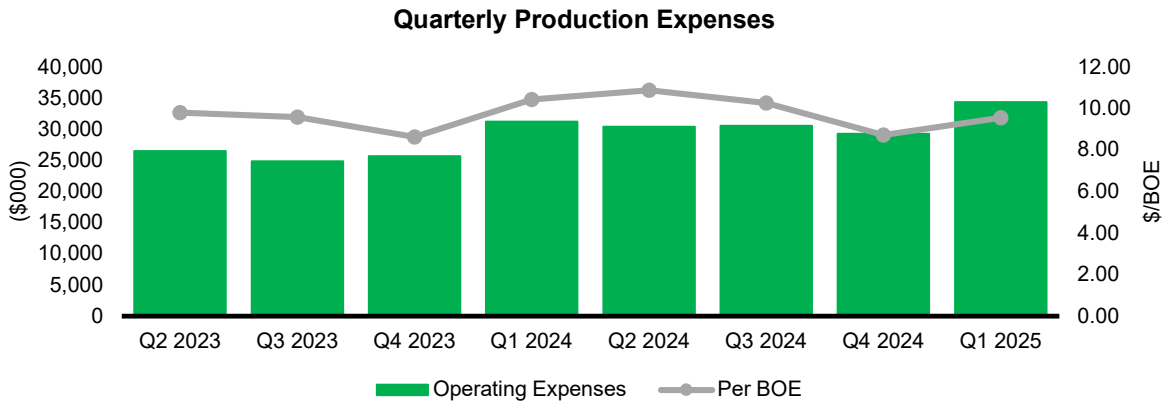
ROYALTIES

	Three months ended March 31		
(CA$ thousands, unless otherwise indicated)	**2025**	2024	%
Royalties	**15,239**	15,042	1
Average royalty rate (1)	**10.9%**	12.4%	-12
$ per BOE	**4.23**	5.02	-16

(1) The average royalty rate is calculated based on total royalties as a percentage of "P&NG Sales, before marketing revenue" which excludes sales related to the sale of third-party production volumes used in oil blending operations (see table under the heading of *"Petroleum and Natural Gas Sales"*).

Kelt's average royalty rate was 10.9% during the first quarter of 2025, compared to 12.4% during the first quarter of 2024. The decrease in the royalty rate in the first quarter of 2025 was primarily due to new Alberta wells that are eligible for an initial low royalty rate of five percent.

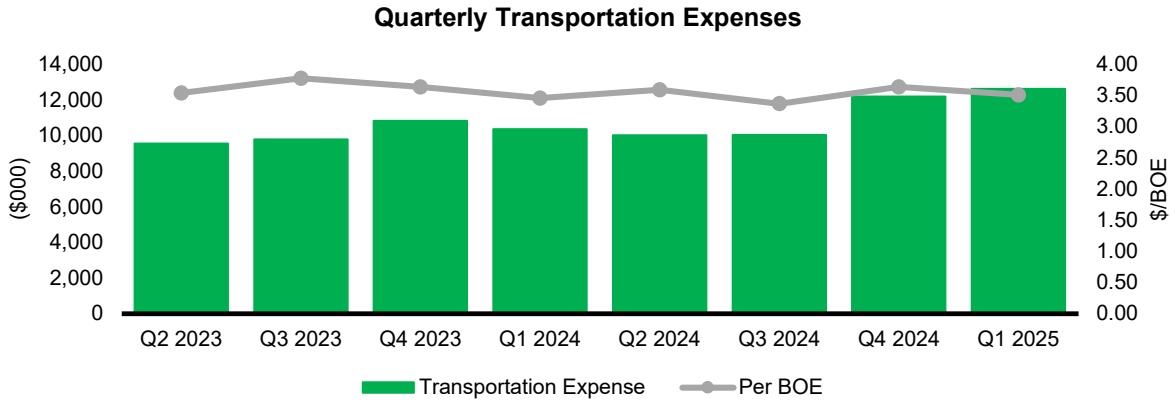
PRODUCTION EXPENSES



	Three months ended March 31		
(CA$ thousands, unless otherwise indicated)	**2025**	2024	%
Production expense	**34,352**	31,220	10
$ per BOE	**9.54**	10.42	-8

The Company incurred production expenses of $34.4 million during the first quarter of 2025, compared to $31.2 million in the first quarter of 2024. Production expenses per BOE decreased by 8% to $9.54 per BOE during the first quarter of 2025, compared to $10.42 per BOE in the same period in 2024. The decrease in production expenses per BOE for the three months ended March 31, 2025 was primarily due to a decrease in utility costs.

TRANSPORTATION EXPENSES



	Three months ended March 31		
(CA$ thousands, unless otherwise indicated)	**2025**	2024	%
Transportation expense [(1)]	**12,632**	10,363	22
$ per BOE	**3.51**	3.46	1

(1) Pipeline tariffs are classified as transportation expenses when the Company has firm commitments or contractual arrangements on the pipeline. Pipeline tariffs may also be incurred indirectly by way of deduction from the base price paid by the purchasers of the Company's oil, NGLs and gas sales. In the latter case, and in the absence of a firm contractual obligation on the pipeline, the pipeline tariffs are presented as a reduction of revenue rather than as transportation expense.

Transportation expenses remained consistent at $3.51 per BOE during the first quarter of 2025, compared to $3.46 per BOE in the first quarter of 2024.

FINANCING EXPENSES

	Three months ended March 31		
(CA$ thousands, unless otherwise indicated)	**2025**	2024	%
Total interest expense	**2,017**	390	417
Accretion of decommissioning obligations	**800**	719	11
Total financing expense	**2,817**	1,109	154
Interest expense per BOE [(1)]	**0.56**	0.13	331

(1) Interest expense used in the calculation of "Interest expense per BOE" includes interest and fees on bank debt.

At March 31, 2025, $102.8 million was drawn under the Company's credit facility, with outstanding letters of credit of $3.7 million. Total interest expense for the three months ended March 31, 2025 was $2.0 million.

Additional information regarding the credit facility is provided under the heading of *"Capital Resources and Liquidity"*.

GENERAL AND ADMINISTRATIVE ("G&A") EXPENSES

The following table summarizes significant components of the Company's G&A expenses:

	Three months ended March 31		
(CA$ thousands, unless otherwise indicated)	**2025**	2024	%
Salaries and benefits	**4,355**	3,906	11
Other G&A expenses	**1,685**	1,504	12
Gross G&A expenses	**6,040**	5,410	12
Overhead recoveries	**(2,438)**	(1,936)	26
Net G&A expenses	**3,602**	3,474	4
Gross G&A ($ per BOE)	**1.68**	1.81	-7
Net G&A ($ per BOE)	**1.00**	1.16	-14

Net G&A expenses per BOE decreased 14% to $1.00 per BOE in the first quarter of 2025, compared to $1.16 per BOE in the first quarter of 2024. The decrease in net G&A expenses per BOE was primarily due to higher production volumes which increased at a greater rate than the increase in G&A expenses.

G&A expenses are reported net of overhead recoveries; however, Kelt does not capitalize any direct G&A expenses.

SHARE BASED COMPENSATION ("SBC")

	Three months ended March 31		
(CA$ thousands, unless otherwise indicated)	**2025**	2024	%
Stock options	**1,265**	1,226	3
Restricted share units ("RSUs")	**883**	731	21
Total SBC expense	**2,148**	1,957	10
$ per BOE	**0.60**	0.65	-8

The increase in SBC expense for the three months ended March 31, 2025 compared to the same periods in 2024 is primarily due to the higher fair value associated with recent option and RSU grants.

As at March 31, 2025, stock options and RSUs outstanding represent 5.0% of total shares outstanding (December 31, 2024 – 6.0%).

DEPLETION AND DEPRECIATION

	Three months ended March 31		
(CA$ thousands, unless otherwise indicated)	**2025**	2024	%
Depletion and depreciation expense	**43,769**	33,867	29
$ per BOE	**12.15**	11.31	7

Depletion and depreciation expense was $43.8 million for the quarter ended March 31, 2025 compared to $33.9 million in the same quarter in 2024. Depletion and depreciation expense per BOE increased 7% in the quarter ended March 31, 2025, primarily due to an increase in depletable assets and an increase in 1P reserves at December 31, 2024, which was partially offset by an increase in future development capital.

Based on its assessment as of March 31, 2025, the Company determined that there were no indicators of impairment for the Alberta CGU and BC CGU.

INCOME TAXES

	Three months ended March 31		
(CA$ thousands, unless otherwise indicated)	**2025**	2024	%
Deferred income tax expense	**6,192**	5,697	9
Net income before taxes	**25,171**	17,544	43
Effective tax expense rate	**24.6%**	32.5%	-24

Kelt's consolidated combined federal and provincial statutory tax rate averaged 23.0% during the three months ended March 31, 2025 and 2024. The Company is not expected to have any cash income taxes payable in 2025.

The Company's consolidated tax pools are estimated to be approximately $924.3 million as of March 31, 2025, an increase of 3% from December 31, 2024 as summarized in the table below.

(CA$ thousands, unless otherwise indicated)	Rate	**March 31 2025**
Canadian oil and gas property expenses ("COGPE")	10-12%	**57,202**
Canadian development expenses ("CDE")	30-38%	**323,325**
Canadian exploration expenses ("CEE")	100%	**11,639**
Undepreciated capital cost [(1)] ("UCC")	25-31%	**290,367**
Non-capital losses [(2)] ("NCL")	100%	**241,760**
Estimated tax deductions available, end of period		**924,293**

(1) The majority of the Company's undepreciated capital cost deductions relate to Class 41 assets, which are deductible at a rate of 25-31% per year.
(2) The Company's non-capital losses expire in years 2033 to 2044.

ADJUSTED FUNDS FROM OPERATIONS

The following table provides a continuity of income and expenses included in the Company's calculation of operating netback and adjusted funds from operations generated during the three month periods ended March 31, 2025 and 2024, respectively.

THREE MONTHS ENDED MARCH 31ST	Amount			$/BOE		
(CA$ thousands, unless otherwise indicated)	**2025**	2024	%	**2025**	2024	%
Petroleum and natural gas sales	**142,501**	126,391	13	**39.57**	42.20	-6
Cost of purchases	**(2,904)**	(4,835)	-40	**(0.81)**	(1.61)	-50
Realized gain (loss) on derivate financial instruments [(1)]	**6,372**	(1)	-	**1.77**	-	-
Royalties	**(15,239)**	(15,042)	1	**(4.23)**	(5.02)	-16
Production expense	**(34,352)**	(31,220)	10	**(9.54)**	(10.42)	-8
Transportation expense	**(12,632)**	(10,363)	22	**(3.51)**	(3.46)	1
Operating netback [(2)]	**83,746**	64,930	29	**23.25**	21.69	7
Financing expense [(3)]	**(2,017)**	(390)	417	**(0.56)**	(0.13)	331
G&A expense	**(3,602)**	(3,474)	4	**(1.00)**	(1.16)	-14
Gain (loss) on foreign exchange	**73**	35	109	**0.02**	0.01	100
Other income	**14**	75	-81	**-**	0.03	-100
Adjusted funds from operations [(2)]	**78,214**	61,176	28	**21.71**	20.44	6
Basic ($ per common share) [(4)]	**0.40**	0.31	29			
Diluted ($ per common share) [(4)]	**0.39**	0.31	26			

(1) Includes realized gains (losses) on commodity price and foreign exchange derivatives.

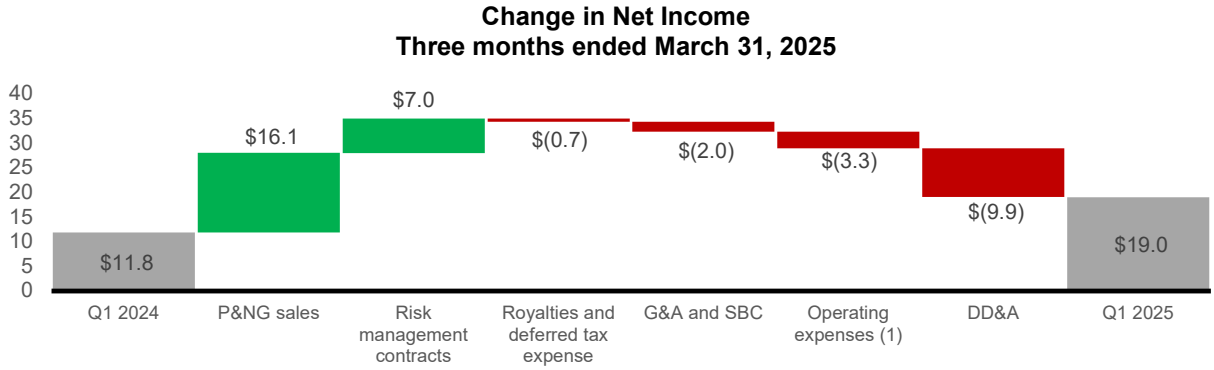
(2) Refer to advisories regarding *"Non-GAAP and Other Financial Measures"*.

(3) Excludes non-cash accretion of decommissioning obligation.

(4) Adjusted funds from operations (2) per common share is calculated on a consistent basis with net income per common share, using basic and diluted weighted average common shares as determined in accordance with GAAP.

During the three months ended March 31, 2025, adjusted funds from operations increased by 28% to $78.2 million ($0.39 per common share, diluted) compared to $61.2 million ($0.31 per common share, diluted) during the first quarter of 2024. Adjusted funds from operations per BOE increased by 6% to $21.71 per BOE in the first quarter of 2025 from $20.44 per BOE in the first quarter of 2024. The increase in adjusted funds from operations per BOE was primarily due to a reduction in royalties of 16% to $4.23 per BOE, a reduction in production expenses of 8% to $9.54 per BOE, and a realized gain on derivative financial instruments of $6.4 million in the first quarter of 2025.

NET INCOME AND COMPREHENSIVE INCOME



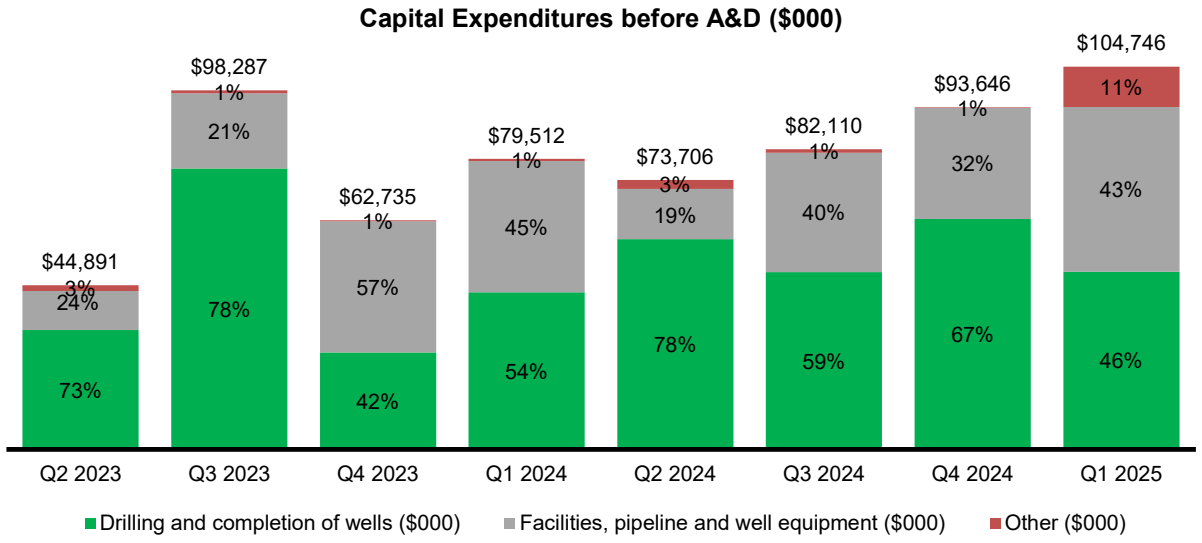
(1) Operating expenses include production expense, transportation expense, exploration and evaluation expense, and cost of purchases

	Three months ended March 31		
(CA$ thousands, unless otherwise indicated)	**2025**	2024	%
Net income and comprehensive income	**18,979**	11,847	60
$ per common share, basic	**0.10**	0.06	67
$ per common share, diluted [(1)(2)]	**0.09**	0.06	50
$ per BOE	**5.26**	3.97	32
Weighted average shares outstanding, basic (000s)	**197,531**	194,655	1
Weighted average shares outstanding, diluted (000s) [(1)]	**200,525**	198,285	1

(1) The Company uses the treasury stock method to determine the dilutive effect of stock options and RSUs. Under this method, only "in-the-money" dilutive instruments impact the calculation of diluted net income per common share.

Kelt reported net income of $19.0 million ($0.09 per common share, diluted) for the three months ended March 31, 2025, compared to net income of $11.8 million ($0.06 per common share, diluted) during the three months ended March 31, 2024. The increase in net income in 2025 was primarily due higher adjusted funds from operations, partially offset by higher depletion and depreciation expenses.

INVESTING ACTIVITIES



CAPITAL EXPENDITURES

The Company's capital expenditures, net of acquisitions and dispositions ("A&D"), are summarized in the following table:

	Three months ended March 31		
(CA$ thousands, unless otherwise indicated)	**2025**	2024	%
Capital expenditures:			
Lease acquisition and retention	**267**	144	85
Geological and geophysical	**10,730**	193	5,460
Drilling and completion of wells	**48,644**	43,000	13
Facilities, pipeline and well equipment	**45,073**	35,937	25
Corporate assets	**32**	238	-87
Capital expenditures, before A&D (1)	**104,746**	79,512	32
Property acquisitions	**-**	1,051	-100
Property dispositions	**-**	(382)	-100
Capital expenditures, net of A&D (1)	**104,746**	80,181	

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

Capital expenditures, before A&D increased 32% in the first quarter of 2025 compared to the same quarter in 2024. Drilling and completion costs of $48.6 million in the first quarter of 2025 included the drilling of 10.6 net wells and the completion of 6.6 net wells. Kelt's facility, pipeline and well equipment expenditures were $45.1 million in the first quarter of 2025. The Company incurred $10.7 million in 2025 on a 3-D seismic program at its Oak property.

	Three months ended March 31		
Gross wells	**2025**	2024	%
Drilling	**15**	10	50
Completion	**9**	3	200
Service	**-**	1	-100

	Three months ended March 31		
Net wells	**2025**	2024	%
Drilling	**10.6**	8.1	31
Completion	**6.6**	3.0	120
Service	**-**	1.0	-100

CAPITAL RESOURCES AND LIQUIDITY

Kelt's objective is to maintain a flexible capital structure that provides sufficient liquidity for the Company to meet its obligations when due and to execute on its capital investment program. The Company manages its capital structure in response to changes in economic conditions and the risk characteristics of its underlying oil and natural gas assets.

The Company has a $250.0 million credit facility from a syndicate of financial institutions. At March, 31, 2025 $102.8 million was drawn under the Credit Facility, with outstanding letters of credit of $3.7 million. The Credit Facility may be extended annually at Kelt's option and subject to lender approval, with a 364 day term-out period if not renewed.

Repayments of principal are not required provided that the borrowings under the facility do not exceed the authorized borrowing amount. The credit facility is subject to semi-annual redeterminations on or before June 30 and November 30 of each year. There are no financial covenants under the Credit Facility and Kelt is in compliance with all other covenants. Covenants include industry standard positive and negative covenants including reporting requirements, permitted indebtedness, permitted risk management activities, permitted encumbrances and other standard business operating covenants. Security is provided for by a demand debenture with a floating charge over all assets in the amount of $800.0 million.

Interest is payable monthly for borrowings through direct advances. Interest rates fluctuate based on the prime rate plus the applicable margin. The applicable margin ranges from 175 basis points to 375 basis points depending upon the Net Debt to Cash Flow ratio of between less than 0.5 times and three times. Under the Credit Facility, borrowings through the use of CORRA term loans are also available. Stamping fees fluctuate based on a pricing grid and range from 2.75% to 4.75%, depending upon the Net Debt to Cash Flow ratio of between less than 0.5 times and three times.

	March 31, 2025	December 31, 2024
Bank debt	**102,766**	108,993
Accounts payable and accrued liabilities	**114,718**	80,463
Cash and cash equivalents	**(89)**	(228)
Accounts receivable and accrued sales	**(64,159)**	(60,236)
Prepaid expenses and deposits	**(3,212)**	(4,109)
Net debt [(1)]	**150,024**	124,883
Adjusted funds from operations [(1)(2)]	**239,016**	221,978
Net debt to adjusted funds from operations ratio [(1)]	**0.6**	0.6

(1) Refer to advisories regarding Capital Management Measures.

(2) 12-month trailing adjusted funds from operations.

The Company monitors its capital structure and short-term financing requirements using a net debt to adjusted funds from operations ratio, which is a non-GAAP financial measure. Kelt targets a net debt to adjusted funds from operations ratio of less than 2.0 times.

The Company may adjust its future capital structure and capital expenditures according to market conditions to maintain flexibility to achieve its objectives. In doing so, the Company may increase or decrease capital expenditures including acquisitions and dispositions, issue new shares, issue new debt or repay existing debt.

The table below outlines a contractual maturity analysis for Kelt's financial liabilities as at March 31, 2025:

	Within 1 Year	1 to 5 Years	More than 5 Years	**Total**
Accounts payable and accrued liabilities	114,718	-	-	**114,718**
Derivative financial instruments	9,303	-	-	**9,303**
Lease liability	1,650	505	-	**2,155**
Bank debt and estimated interest [(1)]	6,269	102,766	-	**109,035**
Total	**131,940**	**103,271**	**-**	**235,211**

(1) Estimated interest for future years related to the Credit Facility was calculated using the weighted average interest rate of 6.1% for the quarter ended March 31, 2025, applied to the principal balance outstanding as at that date.

COMMITMENTS

As of March 31, 2025, the Company is committed to future payments under the following agreements:

	2025	2026	2027	2028	2029	Thereafter
Firm processing commitments	39,588	72,132	72,538	74,713	73,606	409,380
Firm transportation commitments	32,380	47,028	42,622	41,239	37,303	141,979
Total annual commitments	**71,968**	**119,160**	**115,160**	**115,952**	**110,909**	**551,359**

SHARE INFORMATION

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at March 31, 2025 there were 198.6 million common shares issued and outstanding; there are no preferred shares issued or outstanding.

The Company's common shares trade on the TSX under the symbol "KEL". During the first three months of 2025, 26.4 million common shares traded on the TSX at a weighted average price of $6.70 per common share, compared to the

volume weighted average trading price of $6.14 per common share during the year ended December 31, 2024.

As at March 31, 2025, officers, directors, and employees have been granted options to purchase 8.7 million common shares of the Company at an average exercise price of $4.78 per common share. In addition, there are 1.2 million RSUs outstanding. Additional information regarding the Company's stock options and RSUs is included in note 8 of the interim financial statements.

OFF-BALANCE SHEET TRANSACTIONS

The Company did not engage in any off-balance sheet transactions during the periods ended March 31, 2025 and 2024.

SUMMARY OF QUARTERLY RESULTS

The following tables summarize the Company's financial and operating results over the past eight quarters:

(CA$ thousands, except as otherwise indicated)	**Q1 2025**	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023
Revenue	**127,262**	115,512	94,985	91,849	111,349	111,062	101,480	102,589
Cash provided by operating activities	**86,929**	48,067	52,166	46,419	62,493	62,477	52,424	68,163
Adjusted funds from operations [(1)]	**78,214**	69,406	48,939	42,457	61,176	66,618	58,772	58,810
Per share – basic ($/common share) [(1)]	**0.40**	0.35	0.25	0.22	0.31	0.34	0.30	0.31
Per share – diluted ($/common share) [(1)]	**0.39**	0.35	0.24	0.21	0.31	0.33	0.30	0.30
Net income and comprehensive net income	**18,979**	13,800	8,871	10,905	11,847	23,729	20,060	25,799
Per share – basic ($/common share)	**0.10**	0.07	0.05	0.06	0.06	0.12	0.10	0.13
Per share – diluted ($/common share)	**0.09**	0.07	0.04	0.05	0.06	0.12	0.10	0.13
Capital expenditures, net of A&D [(1)]	**104,746**	97,046	82,110	73,810	80,181	62,695	98,287	45,035
Total assets	**1,512,752**	1,450,679	1,378,621	1,328,148	1,282,456	1,260,292	1,222,412	1,174,609
Bank debt	**102,766**	108,993	45,428	12,611	-	-	-	-
Net debt [(1)]	**150,024**	124,883	95,889	63,084	31,961	12,997	15,917	(18,580)
Shareholders' equity	**1,086,264**	1,063,004	1,046,142	1,033,204	1,018,604	1,003,663	976,146	948,215
Average daily production (BOE/d)	**40,015**	36,450	32,378	30,693	32,910	32,344	28,179	29,705
Combined net realized price ($/BOE) [(1)(2)]	**40.53**	37.01	35.86	37.18	40.59	41.78	42.68	38.64
Operating netback ($/BOE) [(1)]	**23.25**	21.80	17.91	16.55	21.69	23.49	23.36	22.55
Operating netback % of combined net realized price [(2)]	**57%**	59%	50%	45%	53%	56%	55%	58%

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

(2) In this table, combined net realized prices are after derivative financial instruments.

In 2023 and 2024, crude oil demand and supply remained relatively balanced, resulting in a range bound crude oil benchmark price.

North American benchmark natural gas prices in 2023 were impacted by higher than historical average inventory levels which continued into 2024 with a warmer than average 2023/2024 winter and record high North American natural gas production. A colder than average 2024/2025 winter, which, combined with additional LNG export capacity in the US coming on-stream in 2025, resulted in rising US national gas prices in 2025. Canadian benchmark natural gas prices in 2024 were lower than historical norms as natural gas inventory levels remained elevated, however AECO benchmark prices increased in 2025.

Kelt's business objective is for long-term profitable growth by implementing a full cycle exploration and development program. Over the past eight quarters, Kelt has focused its cash provided from operating activities on its development capital program which has resulted in higher average daily production and adjusted funds from operations.

Refer to the *"Financial and Operating Summary"* section of this MD&A for further discussion. Additional information relating to Kelt, including the Company's MD&A for previous quarters, is filed on SEDAR+ and can be viewed at www.sedarplus.ca.

OUTLOOK AND GUIDANCE

As of the date of this MD&A, management has updated its 2025 guidance from January 6, 2025 to incorporate revised commodity price assumptions and first quarter results.

(CA$ millions, except as otherwise indicated)	Current 2025 Budget	Previous 2025 Guidance (January 6, 2025)	% Change to Current 2025 Budget
Average Production [2]			
Oil and NGLs (bbls/d)	16,500 – 18,000	16,500 – 18,000	-
Gas (MMcf/d)	165 – 174	165 – 180	-2
Combined (BOE/d)	44,000 – 47,000	44,000 – 48,000	-1
Forecasted Average Commodity Prices			
WTI oil price (US$/bbl)	63.00	69.00	-9
Canadian Light Sweet ($/bbl)	82.75	91.55	-10
NYMEX natural gas price (US$/MMBtu)	3.90	3.25	20
AECO natural gas price ($/GJ)	2.46	2.27	8
Station 2 natural gas price ($/GJ)	1.85	2.14	-14
Average Exchange Rate (US$/CA$)	0.715	0.7100	1
Capital Expenditures, net of A&D [1]	325.0	328.0	-1
Petroleum and natural gas sales	611.0	671.2	-9
Adjusted funds from operations [1]	325.0	345.0	-6
Per common share, diluted [1]	1.60	1.70	-6
Net debt [1] [3]	126.0	110.0	15
Weighted average common shares outstanding (millions) [1]	198.7	198.7	-

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

(2) Percent change for production is calculated on the mid-point of each production range.

(3) Kelt adjusted its Net debt to $110.0 million from $100.0 million in its April 2025 external corporate presentation.

Forecasted average production for 2025 is estimated to be approximately 44,000 to 47,000 BOE per day, a decrease of 2% from the previous 2025 forecasted production. The decrease in forecasted production is a result of a delay in the start-up of a third-party natural gas processing facility at Wembley.

WTI crude oil prices are forecasted to average US$63.00 per barrel, a decrease of 9% from the Company's previous guidance. Forecasted AECO natural gas prices have been increased by 8% to average $2.46 per GJ, and forecasted Station 2 natural gas prices has been revised down 14% to average $1.85 per GJ. After giving effect to the changes in production and commodity price assumptions, Kelt is forecasting adjusted funds from operations to be $325.0 million, a decrease of 6% from its previous forecast of $345.0 million.

Capital expenditures, net of A&D, decreased to $325.0 million for 2025 from $328 million previously. Net debt at December 31, 2025 is estimated to be $126.0 million, an increase from $110.0 million in the previous guidance.

A 10% increase/decrease in the Company's forecasted average oil/NGLs price for the nine months remaining in 2025 would increase/decrease forecasted adjusted funds from operations in 2025 by approximately $17.7 million. A 10% increase/decrease in the Company's average natural gas price forecasted for the nine months remaining in 2025 would increase/decrease adjusted funds from operations in 2025 by approximately $11.7 million.

SIGNIFICANT JUDGMENTS AND ESTIMATES

The timely preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ materially from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are reviewed and for any future years affected. Significant judgments, estimates and assumptions made by management in these financial statements are outlined in note 2 of the December 31, 2024 audited annual consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures as defined in National Instrument 52-109 of the Canadian Securities Administrators, to provide reasonable assurance that: (i) material information relating to the Company is made known to the CEO and the CFO by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The CEO and the CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting as defined in National Instrument 52-109 of the Canadian Securities Administrators, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes to the Company's internal controls over financial reporting during the interim period from January 1, 2025 to March 31, 2024 that have materially affected, or are reasonably likely to materially affect the Company's internal controls over financial reporting.

Due to its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation relating to the effectiveness in future periods are subject to the risk that controls may become inadequate as a result of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

NON-GAAP AND OTHER FINANCIAL MEASURES

This MD&A 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

P&NG sales after cost of purchases

Throughout this MD&A, reference is made to "P&NG sales" and "P&NG sales after cost of purchases". P&NG sales is as reported in the consolidated financial statements in accordance with GAAP and is before realized gains or losses on derivative financial instruments. P&NG sales after cost of purchases includes P&NG sales (in accordance with GAAP), net of the cost of third-party volumes purchases. P&NG sales after cost of purchases are used by management to assess the Company's sales from its core operations, which the Company believes may be a better indicator of historical and future performance.

See the "Petroleum and Natural Gas Sales" section of this MD&A which provides a reconciliation of "P&NG sales after cost of purchases to P&NG sales.

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 Net Income in accordance with GAAP. Given the Company's per unit operating statistics disclosed throughout this MD&A 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 MD&A are before derivative financial instruments, except as otherwise indicated as being after derivative financial instruments.

See the "Petroleum and Natural Gas Sales" section of this MD&A 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 this MD&A which provides a reconciliation of the operating income and 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:

	Three months ended March 31	
(CA$ thousands, except as otherwise indicated)	**2025**	2024
Cash used in investing activities	**82,758**	76,389
Change in non-cash investing working capital	**21,988**	3,792
Capital expenditures, net of A&D	**104,746**	80,181
Property acquisitions	**-**	(669)
Capital expenditures, before A&D	**104,746**	79,512

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:

	Three months ended March 31	
	2025	2024
Cash provided by operating activities	**86,929**	62,493
Change in non-cash working capital	**(9,241)**	(2,266)
Funds from operations	**77,688**	60,227
Settlement of decommissioning obligations	**526**	949
Adjusted funds from operations	**78,214**	61,176

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

Management considers net debt (surplus) and 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.

See the "Capital Resources and Liquidity" section of this MD&A for calculation of the Net debt and net debt to adjusted funds from operations ratio.

SUPPLEMENTARY FINANICAL 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 financial instruments, royalties, production expenses, transportation expenses, financing expenses, gross and net G&A expenses, realized loss (gain) on foreign exchange, other income (expense), share based compensation expense, and depletion and depreciation expense 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 net income per share (basic and diluted) is calculated by dividing the amounts by the basic weighted average common shares outstanding.

BUSINESS RISKS

The business of exploration, development, production and acquisition of oil and gas reserves involves a number of uncertainties. As a result, the Company is exposed to certain business risks inherent in the oil and gas industry which may impact the Company's operations or financial results. A discussion of business risks, as well as economic and industry factors affecting the Company is included in Kelt's annual MD&A for the year ended December 31, 2024, dated March 12, 2025.

Additional information is included in Kelt's Annual Information Form dated March 12, 2025 which can be found at www.sedarplus.ca.

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

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 2025. Readers are cautioned that this financial outlook may not be appropriate for other purposes.

Certain information with respect to Kelt contained herein, including management’s assessment of future plans and operations, contains forward-looking statements. These forward-looking statements are based on assumptions and are subject to numerous risks and uncertainties, many of which are beyond Kelt’s control, including the impact of general economic conditions, the scope and duration of export tariffs, export restrictions, or import tariffs on commodities that Kelt sells, or products that Kelt uses in its supply chains, industry conditions, volatility of commodity prices, currency exchange rate fluctuations, imprecision of reserve estimates, environmental risks, competition from other explorers, stock market volatility and ability to access sufficient capital.

Any forward-looking information or financial outlook set out herein does not include any potential impact of tariffs or trade-related regulations that have been announced by the U.S. and Canada.

As a result, Kelt’s actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur.

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.

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and NGL reserves, and the future net revenue attributed to such reserves, including many factors beyond the control of Kelt. The reserves and associated future net revenue information set forth in this MD&A are estimates only. In general, estimates of economically recoverable oil, natural gas and NGLs reserves and the future net revenue therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserves recovery, the timing and amount of capital expenditures, marketability of oil, natural gas and NGLs, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results. For these reasons, estimates of the economically recoverable oil, natural gas and NGLs reserves attributable to any particular group of properties, the classification of such reserves based on risk of recovery and estimates of future net revenue associated with reserves prepared by different engineers, or by the same engineer at different times, may vary.

Kelt’s actual production, revenue, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material. It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to the Corporation’s reserves estimated by the Corporation’s independent qualified reserves evaluators represent the fair market value of those reserves. There is no assurance that the forecast prices and costs assumptions will be attained, and variances could be material. Actual oil, natural gas and NGLs reserves may be greater than or less than the estimates provided herein, and variances could be material.

With respect to the disclosure of reserves contained herein relating to portions of Kelt’s properties, the estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation. Unless otherwise stated all references to “reserves” are to Kelt’s gross company reserves before deduction of royalties and without including and royalty interests of Kelt. It should not be assumed that the undiscounted or discounted net present value of the Company’s reserves, as determined by McDaniel, represents the fair value of those reserve estimates.

This MD&A 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”, “objective”, “ongoing”, “may”, “will”, “project”, “should”, “believe”, “plans”, “intends”, “potentially” and similar expressions are intended to identify

forward-looking information or statements. In particular, this MD&A contains forward-looking statements pertaining to the following: Kelt's expected price realizations and future commodity prices; its expected oil and NGLs weighting; the start-up date of the postponed wells; the cost and timing of future capital expenditures and expected results; the expected timing of wells bring brought on-production; the expected timing of production additions from capital expenditures; the ability to show significant production growth; the expected reductions in drill and complete costs; the expected timing and processing capacity from the start-up of a third party facility; the expected timing of when the Company shoots its 3-D seismic program; 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; as well as general economic conditions, stock market volatility; the ability to access sufficient water or other fluids needed for completion operations; and the ability to access sufficient capital. We caution that the foregoing list of risks and uncertainties is not exhaustive.

ADDITIONAL INFORMATION

Additional information relating to Kelt, including the Company's Annual Information Form ("AIF") dated March 12, 2025 is filed on SEDAR+ and can be viewed on their website at www.sedarplus.ca. Copies of the AIF can also be obtained by contacting Sadiq H. Lalani, Vice President and Chief Financial Officer at Kelt Exploration Ltd., Suite 300, 311 Sixth Avenue SW, Calgary, Alberta, Canada, T2P 3H2. Further information relating to Kelt is also available on its website at www.keltexploration.com.

KELT EXPLORATION LTD.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
[UNAUDITED]

(CA$ thousands)	[Notes]	**March 31, 2025**	December 31, 2024
ASSETS			
Current assets			
Cash and cash equivalents		**89**	228
Accounts receivable and accrued sales	[9]	**64,159**	60,236
Prepaid expenses and deposits		**3,212**	4,109
Derivative financial instruments	[9]	**1,748**	6,709
Total current assets		**69,208**	71,282
Exploration and evaluation assets	[4]	**28,588**	18,092
Property, plant and equipment	[5]	**1,414,956**	1,361,305
Total assets		**1,512,752**	1,450,679
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	[9]	**114,718**	80,463
Derivative financial instruments	[9]	**9,303**	7,936
Decommissioning obligations	[7]	**3,932**	3,552
Lease liability		**1,650**	1,655
Total current liabilities		**129,603**	93,606
Bank debt	[6]	**102,766**	108,993
Decommissioning obligations	[7]	**100,190**	97,423
Lease liability		**505**	419
Deferred income tax liability		**93,424**	87,234
Total liabilities		**426,488**	387,675
SHAREHOLDERS' EQUITY			
Shareholders' capital	[8]	**1,190,291**	1,184,065
Contributed surplus and reserve		**(8,637)**	(6,692)
Deficit		**(95,390)**	(114,369)
Total shareholders' equity		**1,086,264**	1,063,004
Total liabilities and shareholders' equity		**1,512,752**	1,450,679

Commitments [12]

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

On behalf of the Board of Directors:

[signed] *[signed]*

David J. Wilson, Director Ray Kwan, Director

KELT EXPLORATION LTD.
CONSOLIDATED STATEMENTS OF NET INCOME AND COMPREHENSIVE NET INCOME
[UNAUDITED]

		Three months ended March 31	
(CA$ thousands, except per share amounts)	[Notes]	**2025**	2024
Revenue			
Petroleum and natural gas sales	[10]	**142,501**	126,391
Royalties		**(15,239)**	(15,042)
		127,262	111,349
Expenses			
Production		**34,352**	31,220
Transportation		**12,632**	10,363
Cost of purchases		**2,904**	4,835
Financing	[11]	**2,817**	1,109
General and administrative		**3,602**	3,474
Share based compensation	[8]	**2,148**	1,957
Exploration and evaluation	[4]	**-**	140
Depletion and depreciation	[5]	**43,769**	33,867
		102,224	86,965
Gain (loss) on derivative financial instruments	[9]	**46**	(6,950)
Foreign exchange gain		**73**	35
Other income		**14**	75
Net income before taxes		**25,171**	17,544
Deferred income tax expense		**(6,192)**	(5,697)
Net income and comprehensive net income		**18,979**	11,847
Net income per common share			
Basic		**0.10**	0.06
Diluted		**0.09**	0.06

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

KELT EXPLORATION LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
[UNAUDITED]

(CA$ thousands)	[Notes]	Shareholders' capital: Number of Shares (000s)	Shareholders' capital: Amount ($ thousands)	Contributed surplus and reserve	Retained earnings (deficit)	Total shareholders' equity
Balance at December 31, 2024		196,756	1,184,065	(6,692)	(114,369)	1,063,004
Net income and comprehensive net income		-	-	-	18,979	18,979
Exercise of stock options	[8]	1,210	3,196	(1,063)	-	2,133
Vesting of restricted share units	[8]	650	3,030	(3,030)	-	-
Share based compensation	[8]	-	-	2,148	-	2,148
Balance at March 31, 2025		**198,616**	**1,190,291**	**(8,637)**	**(95,390)**	**1,086,264**
Balance at December 31, 2023		194,506	1,175,465	(12,010)	(159,792)	1,003,663
Net income and comprehensive net income		-	-	-	11,847	11,847
Exercise of stock options	[8]	343	1,653	(516)	-	1,137
Vesting of restricted share units	[8]	369	1,208	(1,208)	-	-
Share based compensation	[8]	-	-	1,957	-	1,957
Balance at March 31, 2024		195,218	1,178,326	(11,777)	(147,945)	1,018,604

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

KELT EXPLORATION LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
[UNAUDITED]

		Three months ended March 31	
(CA$ thousands)	[Notes]	**2025**	2024
Operating activities			
Net income and comprehensive net income		**18,979**	11,847
Items not affecting cash:			
Accretion	[11]	**800**	719
Share based compensation		**2,148**	1,957
Exploration and evaluation		**-**	140
Depletion and depreciation		**43,769**	33,867
Unrealized loss on derivative financial instruments	[9]	**6,326**	6,949
Deferred income tax expense		**6,192**	5,697
Settlement of decommissioning obligations	[7]	**(526)**	(949)
Change in non-cash operating working capital	[13]	**9,241**	2,266
Cash provided by operating activities		**86,929**	62,493
Financing activities			
Decrease in bank debt		**(6,227)**	-
Proceeds on exercise of stock options	[8]	**2,133**	1,137
Repayment of lease liability principal		**(216)**	(147)
Cash provided by (used in) financing activities		**(4,310)**	990
Investing activities			
Exploration and evaluation assets	[4]	**(10,997)**	(337)
Property, plant and equipment	[5]	**(93,749)**	(79,175)
Property acquisitions		**-**	(669)
Change in non-cash investing working capital	[13]	**21,988**	3,792
Cash used in investing activities		**(82,758)**	(76,389)
Net change in cash and cash equivalents		**(139)**	(12,906)
Cash and cash equivalents, beginning of period		**228**	14,340
Cash and cash equivalents, end of period		**89**	1,434

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

KELT EXPLORATION LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2025
[UNAUDITED]

(All tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

1. DESCRIPTION OF THE BUSINESS

Kelt Exploration Ltd. ("Kelt" or the "Company") is an oil and gas company based in Calgary, Alberta, focused on the exploration, development and production of crude oil and natural gas resources, primarily in northwestern Alberta and northeastern British Columbia. The Company's British Columbia assets are operated by Kelt Exploration (LNG) Ltd. ("Kelt LNG"), a wholly owned subsidiary of Kelt. The Company's common shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "KEL".

The head office of Kelt is located at Suite 300, 311 - 6th Avenue S.W., Calgary, Alberta T2P 3H2.

2. BASIS OF PRESENTATION

The Company's Board of Directors approved and authorized these condensed consolidated interim financial statements on May 7, 2025.

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), applicable to the preparation of interim financial statements, including IAS 34 *Interim Financial Reporting*. Certain disclosures included in the notes to the financial statements have been condensed in the following note disclosures or have been disclosed on an annual basis only. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the audited annual consolidated financial statements as at and for the year ended December 31, 2024.

b) Basis of measurement

All references to dollar amounts in these financial statements and related notes are thousands of Canadian dollars, unless otherwise indicated.

The financial statements have been prepared on a historical cost basis, except for certain financial instruments which are recorded at fair value. The methods used to measure fair values are described in note 9 of these financial statements.

c) Significant Judgements and Estimates

The timely preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ materially from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are reviewed and for any future years affected. Significant judgments, estimates and assumptions made by management in these financial statements are outlined in note 2 of the December 31, 2024 audited annual consolidated financial statements.

These estimates require assumptions for future commodity prices, exchange rates, interest rates, future oil and natural gas production, and other economic issues that have a high degree of uncertainty.

3. MATERIAL ACCOUNTING POLICIES

The material accounting policies applied by the Company are described in note 3 of the December 31, 2024 audited annual consolidated financial statements. These condensed consolidated interim financial statements as at March 31, 2025 have been prepared following the same accounting policies and methods of computation as the most recent

audited annual consolidated financial statements as at and for the year ended December 31, 2024.

In April 2024, the IASB issued IFRS 18 'Presentation and Disclosure in Financial Statements' which will replace IAS 1 'Presentation of Financial Statements'. The standard introduces a new defined structure to the Consolidated Statements of Net Income and Comprehensive Net Income with new categories for income and expenses and new totals and subtotals. In addition, there are additional disclosures around management defined performance measures and additional requirements regarding the aggregation and disaggregation of certain information. IFRS 18 is effective January 1, 2027, and are required to be adopted retrospectively with early adoption permitted. The Company is assessing the impact of IFRS 18 on the Company's consolidated financial statements.

In May 2024, the IASB issued amendments IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures' to clarify the date of recognition and derecognition of financial assets and liabilities including the settling of financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets. These amendments are effective January 1, 2026, and are required to be adopted retrospectively with early adoption permitted. The Company is assessing the impact of the amendments on the Company's consolidated financial statements.

4. EXPLORATION AND EVALUATION ASSETS

The following table reconciles movements of exploration and evaluation ("E&E") assets:

	March 31, 2025	December 31, 2024
Balance, beginning of period	**18,092**	17,162
Additions	**10,997**	2,961
Transfers to property, plant and equipment	**(501)**	(1,817)
Exploration and evaluation expense	**-**	(214)
Balance, end of period	**28,588**	18,092

5. PROPERTY, PLANT AND EQUIPMENT

Net carrying value	**March 31, 2025**	December 31, 2024
Development and production ("D&P") assets	**1,412,046**	1,358,231
Right-of-use ("ROU") assets	**2,288**	2,227
Corporate assets	**622**	847
Total net carrying value of property, plant and equipment	**1,414,956**	1,361,305

The following table reconciles movements of property, plant and equipment ("PP&E") during the period:

Property, plant and equipment, at cost	D&P Assets	Corporate Assets	ROU Assets	Total PP&E
Balance at December 31, 2023	2,057,993	7,908	4,617	2,070,518
Additions	324,190	1,140	1,967	327,297
Transfers from ROU assets	683	-	(683)	-
Property acquisitions	5,115	-	-	5,115
Property dispositions	(705)	-	-	(705)
Change in decommissioning obligations	2,777	-	-	2,777
Transfers from E&E	1,817	-	-	1,817
Balance at December 31, 2024	**2,391,870**	**9,048**	**5,901**	**2,406,819**
Additions	**93,717**	**32**	**297**	**94,046**
Change in decommissioning obligations	**2,873**	**-**	**-**	**2,873**
Transfers from E&E	**501**	**-**	**-**	**501**
Balance at March 31, 2025	**2,488,961**	**9,080**	**6,198**	**2,504,239**

Accumulated depletion, depreciation and impairment	D&P Assets	Corporate Assets	ROU Assets	Total PP&E
Balance at December 31, 2023	893,745	7,333	3,028	904,106
Depletion and depreciation expense	139,894	868	732	141,494
Dispositions	-	-	(86)	(86)
Balance at December 31, 2024	**1,033,639**	**8,201**	**3,674**	**1,045,514**
Depletion and depreciation expense	**43,276**	**257**	**236**	**43,769**
Balance at March 31, 2025	**1,076,915**	**8,458**	**3,910**	**1,089,283**

Future capital costs required to develop proved reserves in the amount of $1,790.8 million (December 31, 2024 – $1,839.9 million) are included in the depletion calculation for development and production assets.

Based on its assessment as of March 31, 2025, the Company determined that there were no indicators of impairment.

6. BANK DEBT

At March 31, 2025, the Company has a $150.0 million credit facility (“Credit Facility”) from a syndicate of financial institutions. At March 31, 2025, $102.8 million was drawn under the Credit Facility, with outstanding letters of credit of $3.7 million.

Subsequent to the first quarter of 2025, the Company and its lenders increased the amount available under the Credit Facility to $250.0 million.

Repayments of principal are not required provided that the borrowings under the Credit Facility do not exceed the authorized borrowing amount. The Credit Facility is subject to semi-annual redeterminations on or before June 30 and November 30 of each year, with the next redetermination date of November 30, 2025. There are no financial covenants under the Credit Facility and Kelt is in compliance with all other covenants. Covenants include industry standard positive and negative covenants including reporting requirements, permitted indebtedness, permitted risk management activities, permitted encumbrances and other standard business operating covenants. Security is provided for by a demand debenture with a floating charge over all assets in the amount of $800.0 million.

Interest is payable monthly for borrowings through direct advances. Interest rates fluctuate based on the prime rate plus the applicable margin. The applicable margin ranges from 175 basis points to 375 basis points depending upon the Net Debt to Cash Flow ratio of between less than 0.5 times and three times. Under the Credit Facility, borrowings through the use of benchmark loans are also available. Stamping fees fluctuate based on a pricing grid and range from 2.75% to 4.75%, depending upon the Net Debt to Cash Flow ratio of between less than 0.5 times and three times.

The Credit Facility may be extended annually at Kelt’s option and subject to lender approval, with a 364 day term-out period if not renewed.

7. DECOMMISSIONING OBLIGATIONS

Decommissioning obligations arise as a result of the Company’s net ownership interests in petroleum and natural gas assets including well sites, processing facilities and infrastructure. The following table provides a reconciliation of the carrying amount of the obligation associated with the retirement of oil and gas properties:

	March 31, 2025	December 31, 2024
Balance, beginning of period	**100,975**	99,915
Obligations incurred	**755**	3,247
Obligations acquired	**-**	299
Obligations disposed	**-**	(62)
Obligations settled	**(526)**	(5,036)
Changes in discount rate	**2,511**	(6,954)
Revisions to estimates	**(393)**	6,484
Accretion expense	**800**	3,082
Balance, end of period	**104,122**	100,975
Decommissioning obligations – current	**3,932**	3,552
Decommissioning obligations – non-current	**100,190**	97,423
Key assumptions		
Risk free rate	**3.2%**	3.3%
Inflation rate	**2.0%**	2.0%

The underlying cost estimates are derived from a combination of published industry benchmarks and site-specific information. As at March 31, 2025 the undiscounted amount of the estimated cash flows required to settle the obligation is $145.3 million (December 31, 2024 – $144.3 million) and is expected to be incurred over the next 50 years. The undiscounted amount of the estimated future cash flows required to settle the obligation is $276.5 million at March 31, 2025 (December 31, 2024 – $274.4 million). The inflated future cost estimates are discounted based on a risk-free rate to determine the carrying amounts presented in the table above.

Accretion of the decommissioning obligation due to the passage of time is presented within financing expenses in the Consolidated Statement of Net Income and Comprehensive Net Income (note 11).

8. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, each without par value.

Issued and outstanding

The following table summarizes the change in common shares issued and outstanding. There are no preferred shares issued or outstanding as of March 31, 2025 (December 31, 2024 – nil).

	Number of Shares (000s)	Amount ($ thousands)
Balance at December 31, 2023	**194,506**	**1,175,465**
Issued on exercise of stock options	**1,836**	**5,072**
Transfer from contributed surplus on exercise of stock options	**-**	**2,103**
Released upon vesting of restricted share units	**414**	**1,425**
Balance at December 31, 2024	**196,756**	**1,184,065**
Issued on exercise of stock options	**1,210**	**2,133**
Transfer from contributed surplus on exercise of stock options	**-**	**1,063**
Released upon vesting of restricted share units	**650**	**3,030**
Balance at March 31, 2025	**198,616**	**1,190,291**

Stock options

The Incentive Stock Option Plan (the "Option Plan") includes stock options which may be granted to directors, officers, employees and certain consultants. The stock options granted pursuant to the Option Plan are to be settled through the issuance of new common shares of the Company which vest in equal tranches over a three year period and have a maximum term of five years to expiry.

The following table summarizes the change in stock options outstanding:

	Number of Options (000s)	Average Exercise Price ($/share)
Balance at December 31, 2023	9,697	3.74
Granted	2,315	6.09
Exercised [(1)]	(1,836)	2.76
Forfeited	(205)	6.19
Balance at December 31, 2024	**9,971**	**4.41**
Granted	**10**	**6.46**
Exercised [(1)]	**(1,210)**	**1.76**
Forfeited	**(39)**	**5.66**
Balance at March 31, 2025	**8,732**	**4.78**

(1) The weighted average share price on the date stock options were exercised during the quarter ended March 31, 2025 was $7.09 per common share ($6.19 per common share on average during the year ended December 31, 2024).

The total fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions as follows:

	Three months ended March 31	
	2025	2024
Risk free interest rate	**2.54%**	3.98%
Expected life (years)	**3.0**	3.0
Expected volatility [(1)]	**38.7%**	50.4%
Expected dividend yield	**-**	0.0%
Expected forfeiture rate	**5.0%**	5.1%
Fair value of options granted during the year ($/share)	**1.87**	2.20

(1) The expected volatility for options granted is estimated based on Kelt's historical share price volatility.

The following table summarizes information regarding stock options outstanding at March 31, 2025:

Range of exercise prices per common share	Number of options outstanding (000s)	Weighted average remaining term (years)	Weighted average exercise price for options outstanding ($/share)	Number of options exercisable (000s)	Weighted average exercise price for options exercisable ($/share)
$0.00 to $2.00	314	-	1.02	314	1.02
$2.01 to $4.00	1,733	1.0	2.74	1,733	2.74
$4.01 to $6.00	4,236	2.3	5.08	3,652	5.14
$6.01 to $8.00	2,449	4.0	6.19	111	6.75
Total	**8,732**	**2.4**	**4.78**	**5,810**	**4.23**

Restricted share units

The restricted share unit plan includes restricted share units ("RSUs") that may be granted to officers, employees and certain consultants. The RSUs granted under the RSU Plan are to be settled through the issuance of new common shares upon vesting. RSUs vest in two equal tranches with the first half vesting after two years and the second half after three years.

The following table summarizes the change in RSUs outstanding:

	Number of RSUs (000s)
Balance at December 31, 2023	1,742
Granted	558
Released upon vesting	(414)
Forfeited	(58)
Balance at December 31, 2024	**1,828**
Granted	**4**
Released upon vesting	**(650)**
Forfeited	**(15)**
Balance at March 31, 2025	**1,167**

The total fair value associated with stock options and RSUs is recognized over the service period using graded vesting, resulting in share based compensation expense as follows:

	Three months ended March 31	
	2025	2024
Stock options	**1,265**	1,226
Restricted share units	**883**	731
Total share based compensation expense	**2,148**	1,957

Per share amounts

The table below summarizes the weighted average number of common shares outstanding used in the calculation of basic and diluted net income per common share:

	Three months ended March 31	
(000s of common shares)	**2025**	2024
Weighted average common shares outstanding, basic	**197,531**	194,655
Effect of stock options and RSUs	**2,994**	3,630
Weighted average common shares outstanding, diluted	**200,525**	198,285

The treasury stock method is used to determine the dilutive effect of stock options and RSUs. Under this method, only "in-the-money" dilutive instruments impact the calculation of diluted net income per common share.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments of the Company include cash and cash equivalents, accounts receivable and accrued sales, deposits, accounts payable and accrued liabilities, derivative financial instruments, lease liabilities and bank debt. The Company is exposed to financial risks arising from its financial assets and liabilities that include credit and liquidity risk in addition to the market risks associated with commodity prices, and interest and foreign exchange rates. Net income, cash flows and the fair value of financial assets and liabilities may fluctuate due to movement in market prices or as a result of the Company's exposure to credit and liquidity risks.

The objective of the Company's risk management is to manage and control market risk exposures within acceptable

limits, while maximizing long-term returns. All such transactions are conducted in accordance with the Company's risk management policy that permits management to enter into commodity price agreements, provided that:

i) the contracts are not entered into for speculative purposes;
ii) the total notional quantity hedged, at the time of entering into the contract, does not exceed 65% of average daily production; and
iii) the contracted term does not exceed 36 months.

Commodity price risk

Inherent to the business of producing oil and gas, cash provided by operating activities is subject to commodity price risk. Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices are impacted by economic events that dictate the levels of supply and demand as well as the currency exchange rate relationship between the Canadian and U.S. dollar.

As of March 31, 2025, the following commodity price derivative financial instrument contracts are outstanding:

Crude oil derivative financial instrument swap contracts

Contract Type [1]	Notional Volume	Contract Price	Remaining Term
WTI fixed price swap	1,000 bbl/d	CAD$106.46/bbl	Apr 25 – Jun 25
WTI fixed price swap	2,000 bbl/d	USD$69.6575/bbl	Apr 25 – Dec 25
WTI option [2]	500 bbl/d	Settles monthly if WTI price > USD$70.50/bbl	Jan 25 – Dec 25

(1) West Texas Intermediate ("WTI")
(2) The WTI option is settled monthly at USD$70.50/bbl if the average WTI price is above USD$70.50/bbl.

NGL derivative financial instrument swap contracts

Contract Type	Notional Volume	Contract Price	Remaining Term
OPIS-Conway propane fixed price swap	250 bbl/d	USD$33.60/bbl	Apr 25 – Mar 26
OPIS-Conway propane basis swap	250 bbl/d	Monthly OPIS-Conway basis calculated at 46% of the floating monthly WTI price	Apr 25 – Mar 26

Natural gas derivative financial instrument contracts

Contract Type [1]	Notional Volume	Contract Price $/MMBtu	Remaining Term
NYMEX swap	20,000 MMBtu/d	CAD$6.405/MMBtu	Apr 25 – Dec 25
AECO 7A swap	5,000 GJ/d	CAD$1.85/GJ	Apr 25
AECO 7A swap	10,000 GJ/d	CAD$1.9275/GJ	May 25 – Jul 25
NYMEX costless collar	10,000 MMBtu/d	Floor: CAD$5.00/MMBtu Ceiling: CAD$10.00/MMBtu	Apr 25 – Dec 25
NYMEX-Dawn basis swap	5,000 MMBtu/d	NYMEX less CAD$0.635/MMBtu	Apr 25 – Jun 25

(1) NYMEX Henry Hub ("NYMEX")

Natural gas embedded derivative

Contract Type	Notional Volume	Contract Price [(1)]	Remaining Term
Physical delivery contract	2,513 GJ/d	Floating AESO power pool price (CAD/MWh) divided by the Fixed Heat Rate of 17.95 GJ/MWh	Apr 25 – Dec 26
Physical delivery contract	7,349 GJ/d	Floating AESO power pool price (CAD/MWh) divided by the Fixed Heat Rate of 16.75 GJ/MWh	Jan 26 – Dec 26

(1) Alberta Electric System Operator ("AESO")

The Company has an outstanding natural gas physical supply agreement, with a term from January 1, 2025 to December 31, 2026, to deliver gas to the Nova Inventory Transfer point, which contains an embedded derivative. Under the terms of the agreement, the Company receives a price equal to the Floating AESO Power Pool Price divided by the fixed heat rate.

The fair value of the embedded derivative is calculated by the difference between the forecasted Floating AESO Power Pool Price divided by the fixed heat rate, less the forecasted AECO 5A price, for the remaining term of the contract.

Interest rate risk

The Company is exposed to interest rate risk as changes in market interest rates will impact the Credit Facility which is subject to a floating interest rate. Based on bank debt balance as of March 31, 2025 of $102.8 million, an increase (decrease) in the market rate of interest by 25 basis points would have an increased (decreased) annualized interest expense of $0.3 million. As of March 31, 2025, there are no interest rate risk management contracts outstanding.

Foreign exchange risk

Kelt is exposed to fluctuations of the Canadian to U.S. dollar exchange rate given realized pricing is directly influenced by U.S. dollar denominated benchmark pricing and from exposure from certain U.S. dollar denominated marketing arrangements.

As at March 31, 2025, the following foreign exchange risk management contracts are outstanding:

Foreign exchange derivative financial instrument swap contracts

Contract Type	Notional Volume	Contract/Exercise Price	Remaining Term
CAD/USD swap	USD$7.0 million/month	$1.3796 CAD/USD	Apr 25 – Jun 25
CAD/USD swap	USD$6.0 million/month	$1.3795 CAD/USD	Jul 25 – Dec 25

Foreign exchange derivative financial instrument option contracts

Contract Type	Notional Volume	Contract/Exercise Price	Exercise/ expiration date	Term if exercised
Sold call option	USD$2.0 million/month	$1.3820 CAD/USD	Dec 31, 2025	Jan 26 – Dec 26
Sold call option	USD$2.0 million/month	$1.3800 CAD/USD	Dec 31, 2025	Jan 26 – Dec 26

Gains and losses on derivative financial instrument contracts

The table below summarizes realized and unrealized gains (losses) on derivative financial instrument contracts:

	Three months ended March 31	
	2025	2024
Realized gain (loss)		
Derivative financial instrument contracts	**6,334**	(1)
Natural gas embedded derivative	**38**	-
Total realized gain (loss)	**6,372**	(1)
Unrealized gain (loss)		
Derivative financial instrument contracts	**(3,968)**	(6,949)
Natural gas embedded derivative	**(2,358)**	-
Total unrealized loss	**(6,326)**	(6,949)
Gain (loss) on derivative financial instruments	**46**	(6,950)

Fair value measurements

The Company classifies fair value measurements using a hierarchy that reflects the significance of the inputs used in making the measurements. The Company maximizes the use of observable inputs when preparing calculations of fair value, where possible. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy. The fair value hierarchy has the following levels:

- Level 1 - Values are based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 - Values are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.
- Level 3 - Values are based on prices or valuation techniques that are not based on observable market data.

The fair value of cash and cash equivalents, accounts receivable and accrued sales, deposits, accounts payable and accrued liabilities approximate their carrying value due to the short term to maturity of these instruments. Bank debt bears interest at a floating market rate and accordingly the fair market value of bank debt approximates the carrying amount. Derivative financial instruments are classified as Level 2.

Credit Risk

As at March 31, 2025, the carrying amount of cash and cash equivalents, accounts receivable and accrued sales, deposits, and derivative financial instruments represent the Company's maximum credit exposure. Potential losses are mitigated from this credit exposure by holding cash and cash equivalents with a Canadian chartered bank, and restricting derivative financial instrument transactions to counterparties that are all investment grade. The remaining credit risk exposure arises primarily from receivables from oil and gas marketers and joint venture partners.

The composition of accounts receivable is set out in the following table:

	March 31, 2025	December 31, 2024
Joint venture partners	**9,216**	5,893
Oil and gas marketers	**47,359**	45,708
GST input tax credits	**2,530**	4,036
Derivative financial instrument contracts	**3,092**	1,314
Other	**2,417**	3,638
Expected credit loss provision	**(455)**	(353)
Accounts receivable and accrued sales	**64,159**	60,236

During the quarter ended March 31, 2025, sales to three oil and gas marketers accounted for approximately 10%, 26% and 23%, of total sales. During the year ended December 31, 2024, sales to two oil and gas marketers accounted for approximately 29% and 31% of total sales. Credit risk from oil and gas marketers is mitigated through transacting with investment grade rating counterparties in the majority of its oil and gas marketing transactions.

The oil and gas industry has a pre-arranged monthly clearing day for payment of revenues from all buyers of oil and natural gas; this occurs on the 25th day following the month of sale. As a result, oil and gas marketers revenues are current. All other accounts receivable are generally contractually due within 30-90 days.

The balance of accounts receivable outstanding for more than 90 days relates primarily to receivables from joint venture partners. Credit risk related to joint venture receivables is mitigated by obtaining partner approval of significant capital expenditures prior to expenditure and in certain circumstances may require cash deposits in advance of incurring financial obligations on behalf of joint venture partners. The Company has the ability to withhold production from joint venture partners in the event of non-payment or may be able to register security on the assets of joint venture partners. As of March 31, 2025, the collection risk on outstanding accounts receivable balances is considered low as 1.0% of the accounts receivable balance are outstanding for more than 90 days (December 31, 2024 – 1.0%).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. Financial obligations include accounts payable, derivative financial instruments, lease liabilities and bank debt. Liquidity risk is managed through the budgeting process, which sets out expected debt levels, capital expenditures and funds from operations. In addition, derivative financial instrument contracts may be used to protect future sales. The Board of Directors approves an annual capital expenditure budget, which is regularly monitored and updated as necessary in response to changing capital requirements and expected sales.

The capital intensive nature of Kelt's operations may create a working capital deficiency position during periods with high levels of capital investment. However, the Company targets to maintain sufficient unused bank credit lines or other liquidity to satisfy such working capital deficiencies.

The table below outlines a contractual maturity analysis for Kelt's financial liabilities as at March 31, 2025:

	Within 1 Year	1 to 5 Years	More than 5 Years	**Total**
Accounts payable and accrued liabilities	114,718	-	-	**114,718**
Derivative financial instruments	9,303	-	-	**9,303**
Lease liability	1,650	505	-	**2,155**
Bank debt and estimated interest (1)	6,269	102,766	-	**109,035**
Total	**131,940**	**103,271**	**-**	**235,211**

(1) Estimated interest for future years related to the Credit Facility was calculated using the weighted average interest rate of 6.1% for the quarter ended March 31, 2025, applied to the principal balance outstanding as at that date.

Capital Management

The Company's capital structure is comprised of shareholders' capital, bank debt and working capital. The Company's objective when managing its capital structure is to maintain financial flexibility in order to meet financial obligations, as well as finance future capital expenditures relating to exploration, development and acquisition activities.

The Company may increase or decrease capital expenditures including acquisitions and dispositions, issue new shares, issue new debt or repay existing debt, if any, according to market conditions in order to maintain its financial flexibility.

Adjusted funds from operations

Management considers adjusted funds from operations as a key capital management measure that 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 a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

Adjusted funds from operations are calculated as follows:

	Three months ended March 31	
	2025	2024
Cash provided by operating activities	**86,929**	62,493
Change in non-cash working capital	**(9,241)**	(2,266)
Settlement of decommissioning obligations	**526**	949
Adjusted funds from operations	**78,214**	61,176

Net debt and net debt to adjusted funds from operations ratio

Management considers net debt and a net debt 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 Company targets a net debt to adjusted funds from operations ratio of less than 2.0 times. Net debt and a net debt to adjusted funds from operations ratio are not standardized measures and therefore may not be comparable with the calculation of similar measures by other entities.

Net debt and net debt to adjusted funds from operations ratio is calculated as follows:

	March 31, 2025	December 31, 2024
Bank debt	**102,766**	108,993
Accounts payable and accrued liabilities	**114,718**	80,463
Cash and cash equivalents	**(89)**	(228)
Accounts receivable and accrued sales	**(64,159)**	(60,236)
Prepaid expenses and deposits	**(3,212)**	(4,109)
Net debt	**150,024**	124,883
Adjusted funds from operations [(1)]	**239,016**	221,978
Net debt to adjusted funds from operations ratio	**0.6**	0.6

(1) 12-month trailing adjusted funds from operations.

As described in note 6, there are no financial covenants under the Credit Facility agreement and Kelt is in compliance with all other covenants.

10. PETROLEUM AND NATURAL GAS SALES

Kelt sells its oil, natural gas, and NGLs production under variable price contracts. The transaction price is based on a benchmark commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula (apart from the benchmark commodity price) can be either fixed or variable, depending on the contract terms. Sales are typically collected on the 25th day of the month following the prior month's production, with sales being recorded once the product is delivered to a contractually agreed upon delivery point.

Kelt generates oil treating, gas processing, and other services income from fees charged to third parties provided at facilities where Kelt has an ownership interest. Marketing revenue is generated from the sales of third-party volumes related to its oil blending and natural gas operations, with the production being sold under the same terms as the variable price contracts discussed above.

Kelt sells some of its natural gas outside of Alberta and British Columbia where title transfer occurs prior to the market location where the benchmark commodity price is determined. For the quarter ended March 31, 2025, the transportation costs that occurred after title transfer takes place, and which is included in gas production sales, was $3.8 million (March 31, 2025 – $4.0 million).

The following table presents Kelt's sales disaggregated by source:

	Three months ended March 31	
	2025	2024
Oil production	**79,045**	71,562
Oil treating and other	**185**	203
NGLs production	**20,813**	16,603
Gas production	**39,030**	32,328
Gas processing and other	**439**	775
Marketing revenue	**2,989**	4,920
Total petroleum and natural gas sales	**142,501**	126,391

Included in accounts receivable at March 31, 2025 is $47.4 million (December 31, 2024 – $45.7 million) of accrued oil and gas sales related to March 2025 production.

11. FINANCING EXPENSES

The following table summarizes significant components of the Company's financing expenses:

	Three months ended March 31	
	2025	2024
Total interest expense	**2,017**	390
Accretion of decommissioning obligations [note 7]	**800**	719
Total financing expense	**2,817**	1,109

12. COMMITMENTS

As of March 31, 2025, the Company is committed to future payments under the following agreements:

	2025	2026	2027	2028	2029	Thereafter
Firm processing commitments	39,588	72,132	72,538	74,713	73,606	409,380
Firm transportation commitments	32,380	47,028	42,622	41,239	37,303	141,979
Total annual commitments	**71,968**	**119,160**	**115,160**	**115,952**	**110,909**	**551,359**

13. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31	
Changes in non-cash working capital	**2025**	2024
Accounts receivable and accrued sales	**(3,923)**	1,492
Prepaid expenses and deposits	**897**	555
Accounts payable and accrued liabilities	**34,255**	4,011
Change in non-cash working capital	**31,229**	6,058
Relating to:		
Operating activities	**9,241**	2,266
Investing activities	**21,988**	3,792
Change in non-cash working capital	**31,229**	6,058

During the reporting period, the Company made the following cash outlays in respect of interest and taxes:

	Three months ended March 31	
Cash outlays in respect of interest and taxes	**2025**	2024
Interest and standby fees on bank debt	**1,879**	256
Taxes [1]	**-**	-

(1) KELT WAS NOT REQUIRED TO PAY CASH INCOME TAXES AS THE COMPANY HAD SUFFICIENT INCOME TAX DEDUCTIONS

ABBREVIATIONS

A&D	Acquisitions and dispositions
AECO	Alberta Energy Company “C” Meter Station of the NOVA Pipeline System
AT	After income taxes
bbls	barrels
bbls/d	barrels per day
bcf	billion cubic feet
BOE	barrels of oil equivalent
BOE/d	barrels of oil equivalent per day
BT	Before income taxes
CA$/CAD	Canadian Dollar
CORRA	Canadian Overnight Repo Rate Average
Dawn	Gas traded at Union Gas' Dawn Hub in Dawn Township, Ontario
E&E	Exploration and Evaluation
FDC	Future Development Capital
G&A	General and Administration
GJ	gigajoules
LNG	Liquefied Natural Gas
Mbbls	thousand barrels
MBOE	thousand barrels of oil equivalent
Mcf	thousand cubic feet
MD&A	Management’s Discussion and Analysis
MMBtu	million British Thermal Units
MMcf	million cubic feet
MMcf/d	million cubic feet per day
MSW	Mountain sweet blend crude oil
NGX	Natural Gas Exchange Inc. (Canada)
NGTL	Nova Gas Transmission Line
NIT	NOVA Inventory Transfer (“AB-NIT”), being the reference price at the AECO Hub
NYMEX	New York Mercantile Exchange
Oil	Oil includes crude oil and field condensate
OPEC+	The Organization of Petroleum Exporting Countries along with 10 additional oil-producing countries
P&NG	Petroleum and Natural Gas
Q1	First quarter ended March 31st
Q2	Second quarter ended June 30th
Q3	Third quarter ended September 30th
Q4	Fourth quarter ended December 31st
SBC	Share Based Compensation
SEDAR+	System for Electronic Document Analysis and Retrieval
Station 2	Spectra Energy receipt location
TSX	Toronto Stock Exchange
US$/USD	United States dollar
WTI	West Texas Intermediate
YTD	Year to date
1P	Proved reserves
2P	Proved plus probable reserves
NGLs	Natural Gas Liquids

CONVERSION OF UNITS

Imperial = Metric

1 acre = 0.4 hectares

2.5 acres = 1 hectare

1 bbl = 0.159 cubic metres

6.29 bbls = 1 cubic metre

1 foot = 0.3048 metres

3.281 feet = 1 metre

1 Mcf = 28.2 cubic metres

0.035 Mcf = 1 cubic metre

1 mile = 1.61 kilometres

0.62 miles = 1 kilometre

1 MMBtu = 1.054 GJ

0.949 MMBtu = 1 GJ

Natural gas is equated to oil on the basis of 6 Mcf = 1 BOE

Sulphur is equated to gas on the basis of 1LT = 10 Mcf (1 BOE = 0.6 LT)

CORPORATE INFORMATION

BOARD OF DIRECTORS

William C. Guinan [5, 8, 9]
Board Chair, Independent

Jennifer Haskey [2, 6, 10]
Director, Independent

Ray Kwan [1, 7]
Director, Independent

Neil G. Sinclair [4, 8, 10]
Director, Independent

Janet E. Vellutini [3, 6, 7]
Director, Independent

David J. Wilson [9]
President & Chief Executive Officer,
Kelt Exploration Ltd.

1 chair, audit committee
2 chair, reserves committee
3 chair, compensation and corporate governance committee
4 chair, health, safety, environment and sustainability committee
5 chair, nominating committee
6 member, audit committee
7 member, reserves committee
8 member, compensation and corporate governance committee
9 member, health, safety and environment and sustainability committee
10 member, nominating committee

HEAD OFFICE

Suite 300, East Tower, 311 Sixth Avenue S.W.
Calgary, Alberta T2P 3H2
Phone: 403.294.0154
Fax: 403.291.0155
www.keltexploration.com

REGISTRAR AND TRANSFER AGENT

Odyssey Trust Company
350-300 5th Avenue S.W.
Calgary, Alberta T2P 3C4

LEGAL COUNSEL

Borden Ladner Gervais LLP
Centennial Place, East Tower,
Suite 1900, 520 Fourth Avenue S.W.
Calgary, Alberta T2P 0R3

OFFICERS

David J. Wilson
President & Chief Executive Officer

Sadiq H. Lalani
Vice President & Chief Financial Officer

Douglas J. Errico
Senior Vice President, Land and Corporate Development

Alan G. Franks
Vice President, Production

Bruce D. Gigg
Vice President, Engineering

David A. Gillis
Vice President, Finance

Douglas O. MacArthur
Vice President, Operations

Patrick W.G. Miles
Vice President, Exploration

Louise K. Lee
Corporate Secretary

AUDITOR

PricewaterhouseCoopers LLP
Suite 3100, 111 Fifth Avenue S.W.
Calgary, Alberta T2P 5L3

EVALUATION ENGINEER

McDaniel & Associates Consultants Ltd
2000, 525 8th Ave SW
Calgary, Alberta T2P 1G1

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Common shares “KEL”

SUITE 300, EAST TOWER
311 SIXTH AVENUE SOUTH WEST
CALGARY, ALBERTA T2P 3H2