PRESS RELEASE: For immediate dissemination

KELT INCREASES 2014 CAPITAL EXPENDITURE BUDGET AND ANNOUNCES $122 MILLION EQUITY FINANCING

CALGARY, Alberta, March 5, 2014 ("KEL" - TSX) – Kelt Exploration Ltd. ("Kelt" or the "Company") has expanded its capital expenditure budget to $250 million for 2014, up from $130 million. The increased spending is expected to result in the drilling of 35 gross (27.5 net) wells during the year, with the largest increase in the Karr and the Pouce Coupe/Spirit River areas in west central Alberta.

Summary of 2014 Forecasted Capital Expenditures

(CA$ millions)	Previous Guidance	Current Guidance	Percent Change
Drilling & Completions	100.0	198.0	98%
Facilities, Equipment & Pipelines	22.0	34.5	57%
Land & Seismic	28.0	30.0	7%
Total Exploration & Development	**150.0**	**262.5**	**75%**
Acquisitions	-	7.5	
Dispositions	(20.0)	(20.0)	
Net Capital Expenditures	**130.0**	**250.0**	**92%**

2014 Drilling Program

	Gross Wells Previous Guidance	Net Wells Previous Guidance	Gross Wells Current Guidance	Net Wells Current Guidance	Percent Change in Net Wells
Pouce Coupe/Spirit River	7	5.6	14	13.2	136%
Karr	2	2.0	7	6.5	225%
Inga/Fireweed	7	2.8	9	3.7	32%
Other	6	5.7	5	4.1	-28%
Total	**22**	**16.1**	**35**	**27.5**	**71%**

Equity Financing

In connection with the increased capital expenditure program, Kelt is pleased to announce a brokered and non-brokered equity financing for gross aggregate proceeds of $122 million, before the exercise of the over-allotment option.

Brokered Private Placement

Kelt has entered into an agreement with a syndicate of underwriters led by Peters & Co. Limited, and including FirstEnergy Capital Corp., RBC Capital Markets, National Bank Financial Inc., CIBC World Markets Inc., GMP Securities Inc., Scotia Capital Inc., AltaCorp Capital Inc., Dundee Securities Ltd., Cormark Securities Inc., and Macquarie Capital Markets Canada Ltd. (collectively the “Underwriters”), pursuant to which the Underwriters have agreed to purchase for resale to the public, on a bought deal private placement basis, 8.5 million common shares of Kelt at a price of $11.60 per common share, resulting in gross proceeds of $98.6 million and in addition, the Underwriters have agreed to sell to the public, on a guaranteed agency basis, 730,000 common shares of Kelt on a "flow-through" basis in respect of Canadian development expenses at a price of $12.75 per flow-through common share resulting in additional gross proceeds of $9.3 million.

Kelt has also granted the Underwriters an option, exercisable for a period commencing at closing of the offering and ending 30 days following closing of the offering, to purchase an additional 1.275 million common shares at the same common share offering price of $11.60 per common share, which if exercised, would increase the common share offering gross proceeds by $14.8 million. The financing is expected to close on or around March 25, 2014.

Non-brokered Private Placement

In conjunction with the aforementioned brokered private placement, Kelt has agreed to issue to certain directors, officers and employees of the Company, on a non-brokered basis, an additional 1.105 million common shares of Kelt on a "flow-through" basis in respect of Canadian development expenses at a price of $12.75 per flow-through common share, resulting in additional proceeds of $14.1 million. The non-brokered private placement will close concurrently with the closing of the brokered private placement on or around March 25, 2014.

Private Placements

Net proceeds from these private placement equity offerings (collectively, the “Private Placements”) will be used to partially finance the increased 2014 capital expenditure programs and for general working capital purposes.

Kelt shall, pursuant to the provisions in the *Income Tax Act* (Canada), incur eligible Canadian development expenses, (the “Qualifying Expenditures”) after the Closing Date (as defined below) and prior to December 31, 2014 in the aggregate amount of not less than the total amount of the gross proceeds raised from the issue of flow-through common shares. Kelt shall renounce the Qualifying Expenditures so incurred to the purchasers of the flow-through common shares in an amount equal to $12.75 per flow-through common share on or prior to December 31, 2014.

This transaction is subject to certain conditions including normal regulatory approvals and specifically, the approval of the Toronto Stock Exchange. The common shares and flow-through common shares will be offered in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec and such other provinces as may be agreed to between Kelt and the Underwriters by way of private placement. The Kelt common shares issued in connection with the Private Placements are subject to a statutory hold period of four months plus one day from the date of completion of the Private Placements, in accordance with applicable securities legislation.

The common shares may also be placed privately in the United States with certain qualified institutional buyers pursuant to Rule 144A of the Securities Act of 1933 and with certain accredited institutional investors under Regulation D.

This press release does not constitute an offer to sell or a solicitation of any offer to buy the common shares in the United States. The common shares have not been and will not be registered under the U.S. Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of such Act.

Revised 2014 Guidance

After giving effect to the increased capital expenditures and the Private Placements (not including the over-allotment option), Kelt has revised its 2014 guidance as follows:

	Previous Guidance	Revised Guidance	Percent Change
Average 2014 Production (BOE/d)	10,500	11,000	5%
Average 2014 Oil / Gas Weighting	30% / 70%	28% / 72%	
Exit 2014 Production (BOE/d)	11,500	13,000	12%
Exit 2014 Oil / Gas Weighting	31% / 69%	29% / 71%	
WTI oil price (US$/bbl)	87.50	90.00	3%
NYMEX natural gas price (US$/MMBTU)	3.95	4.65	18%
AECO-C natural gas price ($/GJ)	3.50	4.50	29%
Exchange rate (US$/CA$)	0.952	0.920	-3%
Funds from operations ($MM)	78.0	102.0	31%
Per share, diluted	0.69	0.85	23%
Capital expenditures, net ($MM)	130.0	250.0	124%
Debt, net of working capital at year-end ($MM)	52.0	27.7	-47%
Debt to funds from operations ratio	0.7 x	0.3 x	

Due to abnormally cold weather in North America which has increased heating demand for natural gas and depleted storage levels to decade lows, natural gas prices have increased significantly in the first two months of 2014. As a result, Kelt has increased its natural gas price forecast for AECO to $5.28 per GJ in the first quarter of 2014 and $4.25 per GJ for the remainder of the year.

The impact on average 2014 production relating to the increased capital expenditures is expected to have a greater impact towards the end of the year after budgeting for lead time to drill the additional wells and bring them on-stream. Full year benefits of the forecasted production additions will be recognized in 2015 and is reflected in the exit 2014 production rate shown in the above table.

Financial Position

After giving effect to the increased capital spending and after giving effect to the Private Placements, Kelt estimates that it will have bank debt, net of working capital, of approximately $27.7 million at the end of 2014. As a result, the Company expects to have sufficient financial flexibility to carry out its operations during 2014 and may pursue other opportunities, as they occur.

About Kelt

Kelt is a Calgary, Alberta, Canada-based oil and gas company focused on exploration, development and production of crude oil and natural gas resources, primarily in west central Alberta and northeastern British Columbia.

Cautionary Statement and Advisory Regarding Forward-Looking Statements and Information

This press release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words “expect”, “anticipate”, “continue”, “estimate”, “objective”, “ongoing”, “may”, “will”, “project”, “should”, “believe”, “plans”, “intends” and similar expressions are intended to identify forward-looking information or statements. In particular, this press release contains forward-looking statements concerning the ongoing operations of Kelt, the timing of future capital expenditures, expected production and funds from operations, expected bank debt net of working capital at the end of 2014 and the use of proceeds from the Private Placements.

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 failure to obtain necessary regulatory approvals for planned operations and risks associated with the oil and gas industry in general (e.g., 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; health, safety and environmental risks; commodity price and exchange rate fluctuations; and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures).

The forward-looking statements contained in this press release are made as of the date hereof and Kelt does not undertake any obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. Please refer to Kelt’s Annual Information Form dated March 28, 2013 for additional risk factors relating to Kelt which is available for viewing on www.sedar.com.

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

Non-GAAP Measures

This press release contains certain financial measures, as described below, which do not have standardized meanings prescribed by GAAP. As these measures are commonly used in the oil and gas industry, the Company believes that their inclusion is useful to readers. The reader is cautioned that these amounts may not be directly comparable to measures for other companies where similar terminology is used.

“Operating netback” is calculated by deducting royalties, production expenses and transportation expenses from oil and gas revenue. “Funds from operations” is calculated by adding back settlement of decommissioning obligations and change in non-cash operating working capital to cash provided by operating activities. Funds from operations per common share is calculated on a consistent basis with profit (loss) per common share, using basic and diluted weighted average common shares as determined in accordance with GAAP. Funds from operations and operating netbacks are used by Kelt as key measures of performance and are not intended to represent operating profits nor should they be viewed as an alternative to cash provided by operating activities, profit or other measures of financial performance calculated in accordance with GAAP.

Measurements and Abbreviations

All dollar amounts are referenced in thousands of Canadian dollars, except when noted otherwise. Where amounts are expressed on a barrel of oil equivalent (“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. References to oil in this discussion include crude oil and field condensate. References to natural gas liquids (“NGLs”) include, pentane, butane, propane, and ethane. References to gas in this discussion include natural gas and sulphur.

bbls	Barrels
mcf	thousand cubic feet
mmcf	million cubic feet
GJ	Gigajoule
BOE	barrels of oil equivalent
MMBTU	million British Thermal Units
AECO-C	Alberta Energy Company “C” Meter Station of the Nova Pipeline System
WTI	West Texas Intermediate
NYMEX	New York Mercantile Exchange

Additional Information

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