



**PRESS RELEASE**

(Stock Symbol “KEL” – TSX)

February 10, 2016

Calgary, Alberta

**KELT REPORTS SIGNIFICANT INCREASES IN RESERVES, UNDEVELOPED LAND AND PRODUCTION IN 2015 AND PROVIDES UPDATED 2016 GUIDANCE**

Kelt Exploration Ltd. (“Kelt” or the “Company”) has released its reserves and operating results for the year ended December 31, 2015.

Kelt's audit of its 2015 annual consolidated financial statements has not been completed and accordingly all financial amounts relating to 2015 referred to in this news release are unaudited and represent management's estimates. Readers are advised that these financial estimates are subject to audit and may be subject to change as a result.

A summary of the results is as follows:

	<b>December 31, 2015</b>	December 31, 2014	Percent Change
<b>Proved plus Probable Reserves</b>			
Oil and NGLs [Mbbbls]	<b>54,377</b>	34,274	59%
Gas [MMcf]	<b>576,779</b>	389,014	48%
<b>Combined [MBOE]</b>	<b>150,507</b>	99,110	52%
<b>Finding, Development &amp; Acquisition (“FD&amp;A”) costs</b>			
Proved (“1P”), including future development capital (“FDC”) [\$/BOE]	<b>\$ 21.87</b>	\$ 19.25	14%
Proved plus probable (“2P”), including FDC [\$/BOE]	<b>\$ 14.78</b>	\$ 13.42	10%
<b>Land Holdings (net acres)</b>			
Developed	<b>208,895</b>	142,445	47%
Undeveloped	<b>521,413</b>	318,743	64%
<b>Total</b>	<b>730,308</b>	461,188	58%
<b>Annual Average Production</b>			
Oil and NGLs [bbls/d]	<b>6,698</b>	4,337	54%
Gas [Mcf/d]	<b>71,272</b>	50,516	41%
<b>Combined [BOE/d]</b>	<b>18,577</b>	12,756	46%
<b>December Average Production</b>			
Oil and NGLs [bbls/d]	<b>8,078</b>	6,722	20%
Gas [Mcf/d]	<b>81,045</b>	59,458	36%
<b>Combined [BOE/d]</b>	<b>21,585</b>	16,632	30%
Net asset value [\$M]	<b>\$ 1,129,406</b>	\$ 1,071,426	5%
Diluted common shares outstanding [000's]	<b>169,872</b>	130,721	30%
<b>Net asset value per share [\$]</b>	<b>\$ 6.65</b>	\$ 8.20	-19%

## PRODUCTION

Kelt achieved record production levels in 2015. Average production for 2015 was 18,577 BOE per day, up 46% from average production of 12,756 BOE per day in 2014. Production per million shares was 120 BOE per day, up 14% from 105 BOE per day in 2014. Production for 2015 was weighted 36% oil and NGLs and 64% gas.

Average production for the fourth quarter of 2015 was 20,086 BOE per day, up 29% from average production of 15,559 BOE per day in the fourth quarter of 2014. Production for the fourth quarter of 2015 was weighted 35% oil and NGLs and 65% gas. The Company showed significant year-over-year growth in fourth quarter production despite having approximately 1,862 BOE per day of average production downtime during the three months ended December 31, 2015 as a result of third party pipeline restrictions (accounting for approximately 89% of total downtime) and facility related outages. In order to strengthen the Company's access to alternative gas markets and to reduce the risk of future production downtime, Kelt entered into transportation agreements on the Alliance pipeline, tapping into Chicago gas markets effective December 1, 2015.

## RESERVES

Kelt retained Sproule Associates Limited ("Sproule"), an independent qualified reserve evaluator to prepare a report on its oil and gas reserves. The Company has a Reserves Committee which oversees the selection, qualifications and reporting procedures of the independent qualified reserves evaluator. Reserves as at December 31, 2015 were determined using the guidelines and definitions set out under National Instrument 51-101 ("NI 51-101").

At December 31, 2015, Kelt's proved plus probable reserves were 150.5 million BOE, up 52% from 99.1 million BOE at December 31, 2014. The Company's net present value of proved plus probable reserves at December 31, 2015, discounted at 10% before tax, was \$1.2 billion, relatively unchanged from \$1.1 billion at December 31, 2014, despite significant reductions in commodity prices year-over-year. Sproule's forecasted commodity prices for 2016 used to determine the present value of the Company's reserves at December 31, 2015, are US\$45.00/bbl for WTI oil and \$2.13/GJ for AECO gas.

The following table outlines a summary of the Company's reserves at December 31, 2015:

SUMMARY OF RESERVES					
	Oil [Mbbbls]	NGLs [Mbbbls]	Gas [MMcf]	Combined [MBOE]	% of 2P
Proved Developed Producing	7,299	4,105	134,591	33,836	23%
Proved Developed Non-producing	580	302	7,621	2,152	1%
Proved Undeveloped	10,198	6,780	185,211	47,847	32%
<b>Total Proved</b>	<b>18,077</b>	<b>11,187</b>	<b>327,423</b>	<b>83,835</b>	<b>56%</b>
Probable Additional	15,290	9,823	249,356	66,672	44%
<b>Total Proved plus Probable</b>	<b>33,367</b>	<b>21,010</b>	<b>576,779</b>	<b>150,507</b>	<b>100%</b>

Proved developed producing reserves at December 31, 2015 were 33.8 million BOE, an increase of 26% from 26.8 million BOE at December 31, 2014. Total proved reserves at December 31, 2015 were 83.8 million BOE, up 37% from 61.1 million BOE at December 31, 2014. Proved plus probable reserves at December 31, 2015 were 150.5 million BOE, an increase of 52% from 99.1 million BOE at December 31, 2014.

The following table shows the change in reserves year-over-year by category:

[MBOE]	December 31, 2015	December 31, 2014	Percent Change
Proved Developed Producing	33,836	26,800	26%
Proved Developed Non-producing	2,152	1,712	26%
Proved Undeveloped	47,847	32,587	47%
Total Proved	83,835	61,099	37%
Probable Additional	66,672	38,011	75%
Total Proved plus Probable	150,507	99,110	52%

Future development capital ("FDC") expenditures of \$531 million are included in the reserve evaluation for total proved reserves and are expected to be spent as follows: \$40 million in 2016, \$125 million in 2017, \$106 million in

2018, \$113 million in 2019, and \$147 million thereafter. FDC expenditures of \$868 million are included for proved plus probable reserves and are expected to be spent as follows: \$63 million in 2016, \$183 million in 2017, \$169 million in 2018, \$168 million in 2019 and \$285 million thereafter.

The following table outlines FDC expenditures and future wells to be drilled by province, included in the December 31, 2015 reserve evaluation:

<b>FDC EXPENDITURES</b>				
	1P FDC (\$M)	1P Gross/Net Wells	2P FDC (\$M)	2P Gross/Net Wells
Alberta	232,000	41 / 36.3	360,000	62 / 55.1
British Columbia	299,000	43 / 41.7	508,000	76 / 73.4
<b>Total FDC Expenditures</b>	<b>531,000</b>	<b>84 / 78.0</b>	<b>868,000</b>	<b>138 / 128.5</b>

The WTI oil price during the years 2013 to 2015 averaged US\$79.93 per barrel. After a precipitous decline since December 2014, Sproule is forecasting an average WTI oil price of US\$45.00 per barrel in 2016. Natural gas prices during the 2013 to 2015 period at AECO-C averaged \$3.27 per GJ. Sproule is forecasting an average AECO-C gas price of \$2.13 per GJ in 2016.

The following table outlines forecasted future prices that Sproule has used in their evaluation of the Company's reserves:

<b>COMMODITY PRICES</b>	<b>December 31, 2015 Evaluation</b>			<b>December 31, 2014 Evaluation</b>		
	<b>WTI Cushing Crude Oil [US\$/bbl]</b>	<b>USD/CAD Exchange [US\$]</b>	<b>AECO-C Natural Gas [\$/GJ]</b>	<b>WTI Cushing Crude Oil [US\$/bbl]</b>	<b>USD/CAD Exchange [US\$]</b>	<b>AECO-C Natural Gas [\$/GJ]</b>
2013 (historical)	<b>97.98</b>	<b>0.971</b>	<b>2.97</b>	97.98	0.971	2.97
2014 (historical)	<b>93.00</b>	<b>0.905</b>	<b>4.27</b>	93.00	0.905	4.27
2015 (historical/future)	<b>48.80</b>	<b>0.783</b>	<b>2.56</b>	65.00	0.850	3.15
2016 (future)	<b>45.00</b> ↓44%	<b>0.750</b> ↓14%	<b>2.13</b> ↓39%	80.00	0.870	3.52
2017 (future)	<b>60.00</b> ↓33%	<b>0.800</b> ↓8%	<b>2.80</b> ↓24%	90.00	0.870	3.70
2018 (future)	<b>70.00</b> ↓23%	<b>0.830</b> ↓5%	<b>3.24</b> ↓24%	91.35	0.870	4.24
2019 (future)	<b>80.00</b> ↓14%	<b>0.850</b> ↓2%	<b>3.71</b> ↓23%	92.72	0.870	4.79
2020 (future)	<b>81.20</b> ↓14%	<b>0.850</b> ↓2%	<b>3.98</b> ↓18%	94.11	0.870	4.86

Note: Percent change in the above table shows the change in price used in the 2015 evaluation compared to the price used in the 2014 evaluation for the respective calendar years.

The Company's net present value of proved plus probable reserves at December 31, 2015, discounted at 10% before tax, was \$1.2 billion and the undiscounted future net cash flow, before tax, was \$2.7 billion. The Company's net present value of proved plus probable reserves, discounted at 10% after tax was \$1.0 billion and the undiscounted future net cash flow, after tax, was \$2.2 billion.

The following table is a net present value summary as at December 31, 2015:

<b>NET PRESENT VALUE SUMMARY (BEFORE TAX)</b>			
	Undiscounted [\$MM]	NPV 5% [\$MM]	NPV 10% [\$MM]
Proved Developed Producing	527	432	364
Total Proved	1,231	881	661
<b>Total Proved plus Probable</b>	<b>2,659</b>	<b>1,698</b>	<b>1,185</b>
<b>NET PRESENT VALUE SUMMARY (AFTER TAX)</b>			
Proved Developed Producing	527	432	364
Total Proved	1,150	833	631
<b>Total Proved plus Probable</b>	<b>2,204</b>	<b>1,432</b>	<b>1,013</b>

During 2015, the Company's capital expenditures, net of dispositions, resulted in proved plus probable reserve additions of 58.2 million BOE, resulting in 2P FD&A costs of \$14.78 per BOE, including FDC costs. Proved reserve additions in 2015 were 29.5 million BOE, resulting in 1P FD&A costs of \$21.87 per BOE, including FDC costs. The Company considers this to be a good result considering the significant amount of undeveloped land that was acquired on the Company's Montney plays, in addition to the large infrastructure build conducted in 2015.

The recycle ratio is a measure for evaluating the effectiveness of a company's re-investment program. The ratio measures the efficiency of capital investment. It accomplishes this by comparing the operating netback per BOE to the same period's reserve FD&A cost per BOE. Since inception, Kelt has successfully added high quality reserves at an all-in 2P FD&A cost of \$13.83 per BOE. Since inception, corporate operating netbacks have averaged \$16.52 per BOE, giving the Company an inception to date recycle ratio of 1.2 times. With the purchase and construction of facilities and infrastructure in 2015, along with land and asset acquisitions during the year, Kelt has positioned itself to achieve high efficiencies in production additions and finding and development costs over the upcoming years.

Kelt's 2015 capital investment program resulted in net reserve additions that replaced 2015 production by a factor of 4.4 times on a proved basis and 8.6 times on a proved plus probable basis.

The following table provides detailed calculations relating to FD&A costs for 2015 and 2014:

	Year ended December 31, 2015	Year ended December 31, 2014	Inception to December 31, 2015
<b>1P RESERVES</b>			
Capital expenditures [\$000's] <i>[2015 unaudited]</i>	<b>496,408</b>	423,900	<b>1,249,451</b>
Value of assets conveyed from Celtic Exploration Ltd.	-	-	<b>141,961</b>
Change in FDC costs required to develop reserves [\$000's]	<b>148,400</b>	163,200	<b>531,200</b>
Total capital costs [\$000's]	<b>644,808</b>	587,100	<b>1,922,612</b>
Reserve additions, net [MBOE]	<b>29,489</b>	30,495	<b>96,689</b>
FD&A cost, including FDC [\$ /BOE]	<b>21.87</b>	19.25	<b>19.88</b>
Inception to date operating netback [\$/BOE] <i>[2015 unaudited]</i>			<b>16.52</b>
Recycle ratio – proved			<b>0.8 x</b>
<b>2P RESERVES</b>			
Capital expenditures [\$000's] <i>[2015 unaudited]</i>	<b>496,408</b>	423,900	<b>1,249,451</b>
Value of assets conveyed from Celtic Exploration Ltd.	-	-	<b>141,961</b>
Change in FDC costs required to develop reserves [\$000's]	<b>362,900</b>	174,000	<b>868,200</b>
Total capital costs [\$000's]	<b>859,308</b>	597,900	<b>2,259,612</b>
Reserve additions, net [MBOE]	<b>58,150</b>	44,568	<b>163,361</b>
FD&A cost, including FDC [\$ /BOE]	<b>14.78</b>	13.42	<b>13.83</b>
Inception to date operating netback [\$/BOE] <i>[2015 unaudited]</i>			<b>16.52</b>
Recycle ratio – proved plus probable			<b>1.2 x</b>

In calculating finding and development ("F&D") costs, NI 51-101 requires that exploration and development costs incurred in the year and the change in FDC be aggregated and divided by reserve additions in the year. Under NI 51-101, the F&D calculation expressly excludes acquisitions. The Company believes that by excluding the effect of acquisitions, the provisions of NI 51-101 do not fully reflect Kelt's ongoing reserve replacement costs. Since acquisitions can have a significant impact on annual reserve replacement costs, the Company believes that excluding acquisitions could result in an inaccurate representation of Kelt's cost structure. Accordingly, the Company presents its finding and development costs, inclusive of acquisitions, as shown in the table above.

#### RESERVES RECONCILIATION

During 2015, 5.9 million BOE of proved plus probable reserves were added through positive technical revisions. As a result of lower commodity prices (economic factors), Kelt's proved plus probable reserve base was reduced by 2.1 million BOE.

A reconciliation of Kelt's proved plus probable reserves is provided in the table below:

<b>PROVED PLUS PROBABLE RESERVES</b>				
	<b>Oil</b> [Mbbbls]	<b>NGLs</b> [Mbbbls]	<b>Gas</b> [MMcf]	<b>Combined</b> [MBOE]
<b>Balance, December 31, 2014</b>	<b>23,474</b>	<b>10,800</b>	<b>389,014</b>	<b>99,110</b>
Extensions	4,013	1,583	29,228	10,467
Infill drilling	323	273	4,690	1,378
Technical revisions	(533)	3,580	17,221	5,917
Acquisitions	8,402	5,642	170,933	42,533
Economic factors	(454)	(282)	(8,454)	(2,145)
<b>Net additions</b>	<b>11,751</b>	<b>10,796</b>	<b>213,618</b>	<b>58,150</b>
Less: 2015 Production [1]	(1,858)	(586)	(25,853)	(6,753)
<b>Balance, December 31, 2015 [2]</b>	<b>33,367</b>	<b>21,010</b>	<b>576,779</b>	<b>150,507</b>

[1] Sulphur production of 27 MBOE has been excluded in the above table.

[2] Sulphur reserves of 365 MBOE have been excluded in the above table.

A reconciliation of Kelt's proved reserves is provided in the table below:

<b>PROVED RESERVES</b>				
	<b>Oil</b> [Mbbbls]	<b>NGLs</b> [Mbbbls]	<b>Gas</b> [MMcf]	<b>Combined</b> [MBOE]
<b>Balance, December 31, 2014</b>	<b>14,939</b>	<b>6,309</b>	<b>239,105</b>	<b>61,099</b>
Extensions	811	363	6,465	2,252
Infill drilling	449	318	5,313	1,652
Technical revisions	(331)	2,099	27,415	6,337
Acquisitions	4,498	2,885	82,343	21,107
Economic factors	(431)	(201)	(7,364)	(1,859)
<b>Net additions</b>	<b>4,996</b>	<b>5,464</b>	<b>114,172</b>	<b>29,489</b>
Less: 2015 Production [1]	(1,858)	(586)	(25,853)	(6,753)
<b>Balance, December 31, 2015 [2]</b>	<b>18,077</b>	<b>11,187</b>	<b>327,424</b>	<b>83,835</b>

[1] Sulphur production of 27 MBOE has been excluded in the above table.

[2] Sulphur reserves of 224 MBOE have been excluded in the above table.

#### **NET ASSET VALUE**

Kelt's net asset value at December 31, 2015 was \$6.65 per share. Details of the calculation are shown in the table below:

<b>NET ASSET VALUE PER SHARE</b>		
	As at December 31, 2015 [\$ 000's]	As at December 31, 2014 [\$ 000's]
P&NG reserves, PV10%, before tax	1,185,240	1,072,300
Decommissioning obligations, PV10%, before tax [1]	(13,047)	(12,758)
Undeveloped land	168,674	103,212
Bank debt, net of working capital [unaudited]	(211,461)	(104,430)
Proceeds from exercise of stock options [2]	0	13,102
<b>Net asset value</b>	<b>1,129,406</b>	<b>1,071,426</b>
Diluted common shares outstanding (000's) [2]	169,872	130,721
<b>Net asset value per share (\$/share)</b>	<b>6.65</b>	<b>8.20</b>

[1] The present value of decommissioning obligations included above is incremental to the amount included in the present value of P&NG reserves as evaluated by Sproule.

[2] The calculation of proceeds from exercise of stock options and the diluted number of common shares outstanding only include stock options that are "in-the-money" based on the closing price of KEL of \$4.24 and \$7.00 per common share respectively as at December 31, 2015 and 2014. There were no "in-the-money" stock options at December 31, 2015.

## OUTLOOK AND GUIDANCE

The oil and gas industry in North America continues to operate in a challenging commodity price environment. Due to market instability and volatile commodity prices that have trended lower over the past twelve months, many oil and gas companies have reduced their capital spending plans. Ultimately, lower capital investment in oil and gas drilling can be expected to balance the supply and demand ratio. Kelt continues to remain optimistic about the long-term outlook for oil and gas commodity prices.

Kelt believes that the current business environment creates opportunities to add value at a reasonable cost. The cost to acquire land at Crown sales in the Company's core operating areas has dropped significantly and service related costs to drill and complete wells have also declined substantially. In order to capitalize on opportunities in the current energy business environment, Kelt expects to remain active at Crown land sales. The Company is opportunity driven and is confident that it can continue to grow its production base by building on its current inventory of development projects and by adding new exploration prospects.

Kelt's has elected to reduce its capital expenditure budget for 2016 to \$65.0 million, down 41% from its previous budget of \$110.0 million. The Company now plans to drill five gross (4.5 net) wells in 2016. The Company believes that in this environment of low commodity prices, financial prudence is paramount. The impact to average production for 2016 will be less material as the Company has recently added production at levels that have exceeded previous estimates. Kelt is reducing its 2016 production forecast by 1,000 BOE per day or 5% of its previous estimate.

The table below outlines the Company's updated forecasted financial and operating guidance for 2016:

<i>(CA\$ millions, except as otherwise indicated)</i>	<b>2016 Guidance</b>	Previous 2016 Forecast	% Change
Average Production			
Oil and NGLs (bbls/d)	<b>7,360</b>	8,000	-8%
Gas (mmcf/d)	<b>81.84</b>	84.00	-3%
Combined (BOE/d)	<b>21,000</b>	22,000	-5%
Production per million common shares (BOE/d)	<b>124</b>	130	-5%
Forecasted Average Commodity Prices			
WTI oil price (USD/bbl)	<b>39.00</b>	51.50	-24%
NYMEX natural gas price (USD/MMBTU)	<b>2.50</b>	2.75	-9%
AECO natural gas price (\$/GJ)	<b>2.50</b>	2.95	-15%
Forecasted Average Exchange Rate (US\$/CA\$)	<b>0.730</b>	0.710	+3%
Capital Expenditures			
Drilling & completions	<b>37</b>	75	-51%
Facilities, pipeline & well equipment	<b>17</b>	22	-23%
Land and seismic	<b>11</b>	13	-15%
Total Capital Expenditures	<b>65</b>	110	-41%
Funds from operations	<b>55</b>	110	-50%
Per share, diluted	<b>0.32</b>	0.65	-51%
Bank debt, net of working capital, at year-end	<b>220</b>	205	+7%
Weighted average common shares outstanding (MM)	<b>169</b>	169	-
Common shares issued & outstanding (MM)	<b>169</b>	169	-

Forecast average production of 21,000 BOE per day in 2016 represents a 13% increase from average production of 18,577 BOE per day in 2015 and is estimated to be weighted 35% to oil and NGLs and 65% to gas. However, based on the Company's forecasted commodity prices for 2016, 80% of forecasted operating income in 2016 is expected to be generated from oil and NGLs versus 20% from gas.

During 2016, the Company is forecasting oil and gas prices to average WTI US\$39.00 per barrel and AECO \$2.50 per GJ, respectively. Sensitivities to changes in these prices are as follows: a change of 10% in the average WTI oil price forecast would affect funds from operations by \$6.9 million or 13% and a change of 10% in the average AECO gas price forecast would affect funds from operations by \$7.6 million or 14%. The Company reviews its commodity price forecasts periodically and retains the flexibility to adjust its capital expenditure plans accordingly.

Royalties are expected to average 9.4% of sales in 2016. On a combined basis production and transportation expense in 2016 is estimated to be \$13.06 per BOE, G&A expense is estimated to be \$0.89 per BOE and interest expense is forecasted at \$1.07 per BOE.

After giving effect to the aforementioned production estimates, commodity price assumptions and estimated expenses: funds from operations for 2016 is forecasted to be approximately \$55.0 million or \$0.32 per common share, diluted. Kelt estimates that the Company's bank indebtedness, net of working capital, will be approximately \$220.0 million as at December 31, 2016.

Changes in forecasted commodity prices and variances in production estimates can have a significant impact on estimated funds from operations and profit. Please refer to the cautionary statement on forward-looking statements and information set out below.

The information set out herein is "financial outlook" within the meaning of applicable securities laws. The purpose of this financial outlook is to provide readers with disclosure regarding Kelt's reasonable expectations as to the anticipated results of its proposed business activities for 2016. Readers are cautioned that this financial outlook may not be appropriate for other purposes.

#### **ADVISORY REGARDING FORWARD-LOOKING STATEMENTS**

This press release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "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 pertaining to the following: the expectation that new firm service gas transportation contracts will alleviate production disruptions and discounted realized gas prices; the amount of the Company's projected 2016 capital expenditure budget; and the Company's expected future financial position and operating results, which are dependent on, among other things, the forecasted amount and timing of future capital expenditures, forecast production and future commodity prices.

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 (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; 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; and competition from other explorers) as well as general economic conditions, stock market volatility; and the ability to access sufficient capital. We caution that the foregoing list of risks and uncertainties is not exhaustive.

In addition, the reader is cautioned that historical results are not necessarily indicative of future performance. The forward-looking statements contained herein are made as of the date hereof and the Company does not intend, and does not assume any obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise unless expressly required by applicable securities laws.

#### **NON-GAAP MEASURES**

This document 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 investors. The reader is cautioned that these amounts may not be directly comparable to measures for other companies where similar terminology is used.

“Operating income” is calculated by deducting royalties, production expenses and transportation expenses from oil and gas revenue, after realized gains or losses on financial instruments. The Company refers to operating income expressed per unit of production as an “Operating netback”. “Funds from operations” is calculated by adding back transaction costs associated with acquisitions and dispositions, settlement of decommissioning obligations and the 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 income or 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. “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.

“Finding, development and acquisition” or “FD&A” cost is the sum of capital expenditures incurred in the period and the change in future development capital required to develop reserves. FD&A cost per BOE is determined by dividing current period net reserve additions into the corresponding period’s FD&A cost. “Recycle ratio” is a measure for evaluating the effectiveness of a company’s re-investment program. The ratio measures the efficiency of capital investment by comparing the operating netback per BOE to FD&A cost per BOE.

“Net asset value per share” is calculated by adding the present value of petroleum and natural gas reserves, undeveloped land value and proceeds from exercise of stock options, less the present value of decommissioning obligations and bank debt, net of working capital, and dividing by the diluted number of common shares outstanding. The calculation of proceeds from exercise of stock options and the diluted number of common shares outstanding only include stock options that are “in-the-money” based on the closing price of KEL common shares as at the calculation date.

## 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, unless otherwise specified.

bbls	Barrels
bbls/d	barrels per day
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
mmcf	million cubic feet
mmcf/d	million cubic feet per day
MMBTU	million British Thermal Units
GJ	gigajoule
BOE	barrel of oil equivalent
MBOE	thousand barrels of oil equivalent
BOE/d	barrel of oil equivalent per day
NGLs	natural gas liquids
AECO-C	Alberta Energy Company “C” Meter Station of the Nova Pipeline System
WTI	West Texas Intermediate
NYMEX	New York Mercantile Exchange
USD	United States dollars
CAD	Canadian dollars
TSX	the Toronto Stock Exchange
KEL-T	trading symbol for Kelt Exploration Ltd. on the Toronto Stock Exchange

GAAP	Generally Accepted Accounting Principles
FD&A	finding, development and acquisition
1P	proved reserves
2P	proved plus probable reserves
BT	before tax
AT	after tax
NPV	net present value
P&NG	petroleum and natural gas

For further information, please contact:

**Kelt Exploration Ltd.**, Suite 300, 311 – 6<sup>th</sup> Avenue SW, Calgary, Alberta, Canada T2P 3H2

**David J. Wilson**, President and Chief Executive Officer (403) 201-5340, or  
**Sadiq H. Lalani**, Vice President, Finance and Chief Financial Officer (403) 215-5310.  
Or visit our website at [www.keltexploration.com](http://www.keltexploration.com).