

Kelt Reports Financial and Operating Results for the Three Months Ended March 31, 2014

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CALGARY, ALBERTA--(Marketwired - May 13, 2014) - [Kelt Exploration Ltd.](#) ("Kelt" or the "Company") (**TSX:KEL**) has released its financial and operating results for the three months ended March 31, 2014. The Company's financial results are summarized as follows:

(CA\$ thousands, except as otherwise indicated)	Q1 2014	Q4 2013	Q1 2013
Revenue, before royalties and financial instruments	47,793	18,543	3,865
Funds from operations ⁽¹⁾	26,084	9,396	2,179
Basic (\$/ common share) ⁽¹⁾	0.24	0.09	0.09
Diluted (\$/ common share) ⁽¹⁾	0.23	0.09	0.09
Profit (loss)	4,851	(1,838)	(140)
Basic (\$/ common share)	0.04	(0.02)	(0.01)
Diluted (\$/ common share)	0.04	(0.02)	(0.01)
Total capital expenditures, net of dispositions ⁽²⁾	40,933	231,329	40,210
Total assets	666,257	485,201	141,834
Bank debt	-	-	-
Working capital surplus (deficiency)	123,150	20,500	(24,471)
Shareholders' equity	539,410	392,872	98,138
Weighted average common shares outstanding (000's)			
Basic	110,991	99,244	25,359
Diluted	112,788	100,242	25,359

(1) Refer to advisory regarding non-GAAP measures.

(2) Total capital expenditures incurred during the first quarter of 2013 include approximately \$22.9 million of expenditures incurred prior to completion of the Arrangement on February 26, 2013.

FINANCIAL STATEMENTS

Kelt's unaudited condensed interim financial statements and related notes for the quarter ended March 31, 2014 will be available to the public on SEDAR at www.sedar.com and will also be posted on the Company's website at www.keltexploration.com on May 13, 2014.

Kelt's operating results for the three months ended March 31, 2014 are summarized as follows:

	Q1 2014	Q4 2013	Q1 2013
Average daily production			
Oil (bbls/d)	2,428	809	158
NGLs (bbls/d)	654	487	82
Gas (mcf/d)	42,367	26,660	6,456
Combined (BOE/d) ⁽²⁾	10,143	5,739	1,316
Production per million common shares (BOE/d) ⁽¹⁾	91	58	52
Average realized prices, after financial instruments			
Oil (\$/bbl)	89.62	81.35	87.84
NGLs (\$/bbl)	69.36	57.00	70.96
Gas (\$/mcf)	6.00	3.97	3.60
Operating netbacks ⁽¹⁾ (\$/BOE)			
Oil and gas revenue	52.36	35.12	32.64
Realized loss on financial instruments	(1.37)	(0.38)	-
Average realized price, after financial instruments	50.99	34.74	32.64
Royalties	(6.52)	(4.71)	(4.36)
Production and transportation expense	(15.07)	(11.36)	(9.00)
Operating netback ⁽¹⁾	29.40	18.67	19.28

Undeveloped land			
Gross acres	346,120	299,142	134,238
Net acres	227,284	184,082	72,166

(1) Refer to advisory regarding non-GAAP measures.

(2) Average daily production reported in the table above for the first quarter of 2013 is calculated over the 90 day period ended March 31, 2013. Production for the 33 day period following commencement of active operations on February 27, 2013, averaged 3,588 BOE per day.

MESSAGE TO SHAREHOLDERS

The Company is pleased to report its first quarter interim results to shareholders for the three months ended March 31, 2014.

Kelt was incorporated on October 11, 2012 for the purpose of participating in a Plan of Arrangement between ExxonMobil Canada Ltd., ExxonMobil Celtic ULC and [Celtic Exploration Ltd.](#) and Kelt (the "Arrangement"). The Arrangement was completed on February 26, 2013, at which time Kelt commenced active operations.

Kelt achieved record production levels in the first quarter of 2014. Average production for the three months ended March 31, 2014 was 10,143 BOE per day, up 77% from average production of 5,739 BOE per day during the fourth quarter of 2013. Daily average production in the first quarter of 2014 was 183% higher than the average production of 3,588 BOE per day for the 33-day period ended March 31, 2013. On a production per share basis, the first quarter of 2014 was up 75% compared to the first quarter of 2013.

For the three months ended March 31, 2014, revenue was \$47.8 million, funds from operations was \$26.1 million (\$0.23 per share, diluted) and profit was \$4.9 million (\$0.04 per share, diluted). At March 31, 2014, Kelt did not have any outstanding bank debt on its \$100.0 million demand loan facility. The working capital surplus position, including cash and cash equivalents, at the end of the first quarter was \$123.2 million.

On March 25, 2014, the Company completed an equity financing issuing 9.8 million common shares at a price of \$11.60 per share and 2.6 million common shares on a "CDE flow-through" basis at a price of \$12.75 per share, resulting in aggregate gross proceeds of \$147.0 million. Certain insiders participated in the equity financing acquiring 1.1 million common shares for an aggregate subscription price of \$14.1 million. As at May 12, 2014, the Company has 122.5 million common shares issued and outstanding. Directors and officers of Kelt own (including shares that they exercise control or direction over) 24.4 million common shares or 19.9% of the total shares outstanding.

During the three months ended March 31, 2014, Kelt drilled seven gross (5.9 net) oil and gas wells, with a 100% success rate, and one service well. The Company drilled two gross (0.9 net) horizontal wells at Inga/Fireweed, British Columbia. These wells were targeting condensate-rich natural gas in the Triassic Doig formation. The Company drilled two gross (2.0 net) wells at Karr, Alberta targeting the Triassic Montney oil formation. In addition, Kelt drilled a 100% working interest water injection well at Karr, which will reduce production expenses by eliminating water trucking costs. At Pouce Coupe, Alberta, the Company drilled three gross (3.0 net) wells in the Triassic Montney formation. Two wells that were drilled in the natural gas leg have now been completed and the third well drilled in the oil leg is expected to be completed in the second quarter of 2014.

During the remainder of 2014 Kelt is well positioned financially and expects that it will have sufficient financial flexibility to carry out its operations during the year and to pursue new opportunities as they arise. Management is excited about the Company's prospects and looks forward to updating shareholders with second quarter results in August 2014.

2014 GUIDANCE

Kelt remains optimistic about its future prospects. The Company is opportunity driven and is confident that it can grow its production base by building on its current inventory of development projects and by adding new exploration prospects. Kelt will endeavor to maintain a high quality product stream that on a historical basis receives a superior price with reasonably low production costs. In addition, the Company will focus its exploration efforts in areas of multi-zone hydrocarbon potential, primarily in west central Alberta and

northeastern British Columbia.

Kelt's Board of Directors has approved a 2014 capital expenditure budget of \$250.0 million, net of dispositions. In aggregate, the Company expects to spend \$198.0 million on drilling and completing wells, \$34.5 million on facilities, equipment and pipelines, and \$30.0 million on land and seismic. Proceeds from dispositions, net of acquisitions, are expected to be \$12.5 million.

Kelt expects production in 2014 to average approximately 11,000 BOE per day. Production is expected to be weighted 24% oil, 6% NGLs, and 70% gas; however, operating income in 2014 is expected to be derived 47% from oil production, 10% from NGLs production, and 43% from gas production.

The Company's average commodity price assumptions for 2014 are US\$92.00 (previously US\$90.00) per barrel for WTI oil, US\$4.60 (previously US\$4.65) per MMBTU for NYMEX natural gas, \$4.55 (previously \$4.50) per GJ for AECO natural gas and a US/Canadian dollar exchange rate of US\$0.9174 (previously US\$0.9200). These prices compare to average calendar 2013 prices of US\$97.98 per barrel for WTI oil, US\$3.68 per MMBTU for NYMEX natural gas, \$2.97 per GJ for AECO natural gas and a US/Canadian dollar exchange rate of US\$0.971. Funds from operations for 2014 is forecasted to be approximately \$103.0 million (previously \$102.0 million) or \$0.85 per common share, diluted.

Kelt estimates that the Company's bank indebtedness, net of working capital, will be approximately \$3.0 million (previously \$3.9 million) at December 31, 2014. On May 6, 2014, the Company established a new \$100.0 million committed term credit facility with a syndicate of financial institutions. Additional information is available under the heading of Subsequent events.

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 under the heading "2014 Guidance" 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 2014. 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 concerning 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 (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.

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 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 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 income or 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.

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
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

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