PRESS RELEASE
(Stock Symbol **"KEL"** – TSX)
August 10, 2016
Calgary, Alberta

KELT REPORTS FINANCIAL AND OPERATING RESULTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016

Kelt Exploration Ltd. ("Kelt" or the "Company") has released its financial and operating results for the three and six months ended June 30, 2016. The Company's financial results are summarized as follows:

FINANCIAL HIGHLIGHTS	Three months ended June 30			Six months ended June 30		
(CA$ thousands, except as otherwise indicated)	**2016**	2015(2)	%	**2016**	2015(2)	%
Revenue, before royalties and financial instruments	**40,718**	52,131	-22	**81,116**	91,514	-11
Funds from operations(1)	**11,671**	14,701	-21	**17,622**	28,681	-39
Basic ($/ common share)(1)	**0.07**	0.10	-30	**0.10**	0.20	-50
Diluted ($/ common share)(1)	**0.07**	0.09	-22	**0.10**	0.20	-50
Loss and comprehensive loss	**(20,413)**	(9,971)	105	**(46,331)**	(26,495)	75
Basic ($/ common share)	**(0.12)**	(0.06)	100	**(0.27)**	(0.19)	42
Diluted ($/ common share)	**(0.12)**	(0.06)	100	**(0.27)**	(0.19)	42
Total capital expenditures, net of dispositions	**25,908**	343,105	-92	**49,313**	420,805	-88
Total assets	**1,260,245**	1,364,810	-8	**1,260,245**	1,364,810	-8
Bank debt, net of work capital(1)	**139,080**	251,887	-45	**138,080**	251,887	-45
Convertible debentures	**69,320**	-	-	**69,320**	-	-
Shareholders' equity	**835,241**	870,083	-4	**835,241**	870,083	-4
Weighted average shares outstanding (000s)						
Basic	**173,818**	153,990	13	**171,321**	141,163	21
Diluted	**173,972**	155,300	12	**171,444**	142,212	21

(1) Refer to advisory regarding non-GAAP measures.
(2) Comparative financial information for the three and six month periods ended June 30, 2015 has been revised to reflect all purchase price adjustments related to the acquisition of Artek Exploration Ltd. as of the acquisition date of April 16, 2015.

FINANCIAL STATEMENTS

Kelt's unaudited condensed consolidated interim financial statements and related notes for the quarter ended June 30, 2016 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 August 10, 2016.

Kelt's operating results for the three and six months ended June 30, 2016 are summarized as follows:

OPERATIONAL HIGHLIGHTS	Three months ended June 30			Six months ended June 30		
(CA$ thousands, except as otherwise indicated)	**2016**	2015	%	**2016**	2015	%
Average daily production						
Oil (bbls/d)	**5,066**	5,419	-7	**5,469**	5,189	5
NGLs (bbls/d)	**2,632**	1,494	76	**2,686**	1,437	87
Gas (mcf/d)	**75,060**	75,362	0	**81,577**	66,737	22
Combined (BOE/d)	**20,208**	19,473	4	**21,751**	17,749	23
Production per million common shares (BOE/d)(1)	**116**	126	-8	**127**	126	1
Average realized prices, before financial instruments						
Oil ($/bbl)	**49.76**	59.02	-16	**41.30**	52.58	-21
NGLs ($/bbl)	**18.21**	25.43	-28	**16.19**	25.57	-37
Gas ($/mcf)	**1.97**	2.85	-31	**2.16**	2.94	-27
Operating netbacks(1) ($/BOE)						
Oil and gas revenue	**22.14**	29.42	-25	**20.49**	28.49	-28
Realized gain (loss) on financial instruments	**(0.01)**	0.15	-107	**(0.01)**	0.65	-102
Average realized price, after financial instruments	**22.13**	29.57	-25	**20.48**	29.14	-30
Royalties	**(1.65)**	(2.91)	-43	**(1.49)**	(3.07)	-51
Production expense	**(8.87)**	(13.95)	-36	**(9.61)**	(13.05)	-26
Transportation expense	**(2.89)**	(2.48)	17	**(2.79)**	(2.54)	10
Operating netback(1)	**8.72**	10.23	-15	**6.59**	10.48	-37
Drilling activity						
Total wells	**-**	-	-	**3**	7	-57
Working interest wells	**-**	-	-	**2.5**	5.5	-55
Success rate on working interest wells	**-**	-	-	**100%**	100%	0
Undeveloped land						
Gross acres	**665,010**	661,304	1	**665,010**	661,304	1
Net acres	**543,530**	532,538	2	**543,530**	532,538	2

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

MESSAGE TO SHAREHOLDERS

The Company has reported its financial and operating results to shareholders for the second quarter of 2016. Average production for the three months ended June 30, 2016 was 20,208 BOE per day, up 4% compared to average production of 19,473 BOE per day during the second quarter of 2015. Daily average production in the second quarter of 2016 was 13% lower than average production of 23,295 BOE per day in the first quarter of 2016, primarily due to a planned two week facility turnaround operation in Progress, Alberta. Production was also temporarily shut-in as a precautionary measure due to forest fires near gas processing facilities in the Stoddart area of British Columbia. Production downtime resulted in shut-ins of approximately 1,700 BOE per day average during the second quarter of 2016.

Kelt's realized average oil price was $49.76 per barrel, up 46% from $34.01 per barrel in the first quarter of 2016 and down 16% from $59.02 per barrel in the second quarter of 2015. The realized average NGLs price during the second quarter of 2016 was $18.21 per barrel, up 28% from $14.24 per barrel in the first quarter of 2016 and down 28% from $25.43 per barrel in the corresponding period of 2015. The realized average gas price was $1.97 per MCF, down 15% from $2.33 per MCF in the first quarter of 2016 and down 31% from the realized average gas price of $2.85 per MCF in the second quarter of the previous year.

For the three months ended June 30, 2016, revenue was $40.7 million and funds from operations was $11.7 million ($0.07 per share, diluted), compared to revenue of $52.1 million and funds from operations of $14.7 million ($0.09 per share, diluted) in the second quarter of 2015. At June 30, 2016, bank debt, net of working capital was $139.1 million, down 45% from $251.9 million at June 30, 2015. Production expenses of $8.87 per BOE continue to improve and were 36% lower compared to $13.95 per BOE in the second quarter of 2015.

Net capital expenditures incurred during the three months ended June 30, 2016 were $25.9 million, of which $18.9 million was for a property acquisition in Kelt's core operating area at Progress, Alberta. The balance of capital spending during the second quarter of 2016 was primarily for land acquisition and infrastructure construction.

During the second quarter of 2016, Kelt took measures to improve financial liquidity. On April 7, 2016, the Company closed a private placement of 4.7 million common shares on a "CDE flow-through" basis at a price of $4.70 per share, resulting in net proceeds of $22.0 million. On May 3, 2016, Kelt closed the issuance of $90.0 million principal amount of 5.0% convertible unsecured subordinated debentures, resulting in net proceeds of approximately $86.4 million.

Kelt has revised its 2016 outlook and guidance to reflect changes to forecasted commodity prices as follows:

- Average production of 21,500 BOE per day, unchanged from previous guidance;
- 2016 production mix is expected to be weighted 37% to oil & NGLs and 63% to gas;
- 2016 operating income is expected to be derived 82% from oil & NGLs and 18% from gas;
- Average WTI price of US$41.85 per barrel, down 3% from previous forecast;
- Average AECO gas price of $2.10 per GJ, up 11% from previous forecast;
- Capital expenditures, including acquisitions, of $87.0 million, up 5% from previous guidance;
- Funds from operations of $54.0 million ($0.31 per share, diluted), up 8% from previous guidance; and
- Bank debt, net of working capital of $137.0 million (2.5 x trailing funds from operations), unchanged from previous guidance.

In July 2016, the Government of Alberta released further details with respect to the Alberta Modernized Royalty Framework ("MRF"), now providing companies with the ability to apply for early adoption by drilling wells in 2016 and still qualifying for royalties under MRF. Kelt expects to take advantage of this early adoption on certain wells and has increased its capital spending plans in Alberta for 2016 and reallocated funds within the budget.

After delineating four of its Montney oil plays in Alberta, Kelt is now in a position to commence full development on two of these plays and at the same time, taking advantage of both the early adoption of MRF, as well as the current low cost service sector environment. As a result, Kelt expects to commence pad drilling at Pouce Coupe and Karr in the second half of 2016. The Company plans to drill two wells at Pouce Coupe and two wells at Karr, with further plans to drill additional wells from the same pads in both areas in early 2017. Completions of these wells are planned prior to spring break-up in 2017.

At Inga, British Columbia, Kelt put on production two wells that were recently drilled and completed on the eastern part of its contiguous Montney land block. Both these wells were completed in the Upper Montney. The well located at 07-12-088-23W6 flowed high volumes of field condensate with an IP30 rate (gross sales) of 648 BOE per day of which condensate and liquids was 379 barrels per day (58%). The well located at 05-07-088-22W6 had an IP30 rate (gross sales) of 1,130 BOE per day of which condensate and liquids was 592 barrels per day (52%). The Company is excited with these results as it extends the Montney resource play further to the east significantly adding to its future drilling inventory.

In the Inga/Fireweed/Stoddart area, Kelt will defer drilling and completing a previously planned Upper Montney well to 2017, leaving two wells to be drilled in the second half of 2016. The Company expects to drill and complete a Middle Montney well in the central part of its land block at Inga and to drill an Upper Montney well in the northeast part of its land block at Fireweed. Kelt expects to complete this well in early 2017 and to drill and complete the deferred Upper Montney well, also in early 2017. At this stage, the Company will have obtained sufficient information from delineation drilling and expects to commence full development in the Upper Montney in British Columbia by switching to pad drilling which should result in significant savings in per well capital expenditures, as well as lower per unit operating expenses when the wells are brought on production.

In light of the current energy business environment with much lower oil and gas prices year-to-date in 2016, compared to 2015, Kelt is optimistic that it can continue to take advantage of the current downturn with its strategy of low-cost land accumulation in its core operating areas, during the remainder of 2016. In July, Kelt completed an acquisition of 18 sections of land in British Columbia, which brings the Company's Montney land holdings in the Inga/Fireweed/Stoddart area to 180 contiguous net sections. The Upper Montney well that was deferred from 2016 capital spending plans is now expected to be drilled on these newly acquired lands during the first quarter of 2017. Kelt believes that these lands will be prospective in both the Upper and Middle Montney formations.

Management looks forward to updating shareholders with 2016 third quarter results on or about November 10, 2016.

OUTLOOK AND GUIDANCE

Oil and gas prices have bounced back from the lows experienced earlier in 2016, however, our industry continues to operate in a challenging commodity price environment. Due to market instability and volatile commodity prices that have trended lower over the past two years, 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 build on its current inventory of development projects by adding new exploration prospects. As a result, the Company's Board of Directors, have increased Kelt's 2016 capital expenditures budget to $87.0 million, up 5% from its previous budget of $83.0 million.

The table below outlines the Company's forecasted financial and operating guidance for 2016, updated from guidance previously disclosed in the Company's press release dated May 11, 2016.

(CA$ millions, except as otherwise indicated)	**Revised Guidance**	Previous Guidance	Change
Average Production			
Oil and NGLs (bbls/d)	**7,940**	7,950	0%
Gas (mmcf/d)	**81,360**	81,300	0%
Combined (BOE/d)	**21,500**	21,500	0%
Production per million common shares (BOE/d)	**124**	124	0%
Forecasted Average Commodity Prices			
WTI oil price (US$/bbl)	**41.85**	43.25	-3%
Canadian Light Sweet ($/bbl)	**50.73**	51.05	-1%
NYMEX natural gas price (US$/MMBTU)	**2.50**	2.35	6%
AECO natural gas price ($/GJ)	**2.10**	1.90	11%
Average Exchange Rate (US$/CA$)	**0.760**	0.772	-2%

Capital Expenditures			
Drilling & completions	**42.0**	41.0	2%
Facilities, pipeline & well equipment	**20.3**	15.0	35%
Land, seismic & property acquisitions (net of dispositions)	**24.7**	27.0	-9%
Total Capital Expenditures	**87.0**	83.0	5%
Funds from operations	**54.0**	50.0	8%
Per common share, diluted	**0.31**	0.29	7%
Bank debt, net of working capital, at year-end (1)	**137.0**	137.0	0%
Weighted average common shares outstanding (millions)	**172.8**	172.8	0%
Common shares issued and outstanding (millions)	**174.2**	174.2	0%

(1) In addition to bank debt, the Company has $90 million principal amount of convertible debentures outstanding with a coupon of 5% maturing May 31, 2021.

Forecast average production of 21,500 BOE per day in 2016 represents a 16% increase from average production of 18,577 BOE per day in 2015 and is estimated to be weighted 37% to oil and NGLs and 63% to gas. However, based on the Company's forecasted commodity prices for 2016, 82% of forecasted operating income in 2016 is expected to be generated from oil and NGLs versus 18% from gas.

During 2016, the Company is forecasting oil and gas prices to average WTI US$41.85 per barrel and AECO $2.10 per GJ, respectively. Sensitivities to changes in these prices are as follows: a 10% increase in the average WTI oil price forecast would increase funds from operations by $7.0 million or 13%; a 10% decrease in the average WTI oil price forecast would decrease funds from operations by $7.6 million or 14%; a 10% increase in the average AECO gas price forecast would increase funds from operations by $7.5 million or 14%; and a 10% decrease in the average AECO gas price forecast would decrease funds from operations by $7.8 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 8.4% of oil and gas sales in 2016 (previously, 9.3%). During 2016, production and transportation expense (combined) is estimated to be $12.62 per BOE (previously, $12.74 per BOE), G&A expense is estimated to be $0.89 per BOE (unchanged from previous guidance) and interest expense is forecasted at $1.31 per BOE (unchanged from previous guidance).

After giving effect to the aforementioned production estimates, commodity price assumptions and estimated expenses: funds from operations for 2016 is forecasted to be approximately $54.0 million or $0.31 per common share, diluted. Kelt estimates that the Company's bank debt, net of working capital, will be approximately $137.0 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 advisories regarding forward-looking statements and to the cautionary statement below.

The information set out herein is "financial outlook" within the meaning of applicable securities laws. The purpose of this financial outlook is to provide readers with disclosure regarding Kelt's reasonable expectations as to the anticipated results of its proposed business activities for 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 amount and timing of future development capital expenditures; the potential impact of the MRF on the Company's Alberta oil and gas assets and Kelt's intention to early adopt the MRF for certain wells drilled during the second half of 2016; the expectation that, by early 2017, the Company will have obtained sufficient information from delineation drilling in order to commence full development in the Upper Montney in British Columbia; the belief that pad drilling planned at Pouce Coupe, Karr and Inga/Fireweed will result in significant savings in per well capital expenditures and per unit production expenses, the prospective nature of recent land acquisitions and the Company's ability to continue accumulating land at a low-cost in its core operating areas; and the Company's expected future financial position and operating results. Statements relating to "reserves" or "resources" are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

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 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 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 associated 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, provisions for potential credit losses, 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 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.

The Company uses a "net bank debt to trailing funds from operations ratio" as a benchmark on which management monitors the Company's capital structure and short-term financing requirements. Management believes that this ratio, which is a non-GAAP financial measure, provides investors with information to understand the Company's liquidity risk. Throughout this press release, the term "net bank debt" is used synonymously with, and is equal to, "bank debt, net of working capital". "Net bank debt" is calculated by adding the working capital deficiency to bank debt. The working capital deficiency is equal to total current assets net of total current liabilities, excluding the current portion of bank debt.

MEASUREMENTS

All dollar amounts are referenced in thousands of Canadian dollars, except when noted otherwise. This press release contains various references to the abbreviation BOE which means barrels of oil equivalent. Where amounts are expressed on a BOE basis, natural gas volumes have been converted to oil equivalence at six thousand cubic feet per barrel and sulphur volumes have been converted to oil equivalence at 0.6 long tons per barrel. The term BOE may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet per barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead and is significantly different than the value ratio based on the current price of crude oil and natural gas. This conversion factor is an industry accepted norm and is not based on either energy content or current prices. References to oil in this press release 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. Such abbreviation may be misleading, particularly if used in isolation.

ABBREVIATIONS

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
BOE/d	barrel of oil equivalent per day
NGLs	natural gas liquids
IP30	initial production from a well for the first 720 hours (30 days) based on operating/producing hours
AECO	Alberta Energy Company "C" Meter Station of the Nova Pipeline System
WTI	West Texas Intermediate
NYMEX	New York Mercantile Exchange
US$	United States dollars
CA$	Canadian dollars

TSX	the Toronto Stock Exchange
KEL	trading symbol for Kelt Exploration Ltd. common shares on the TSX
KEL.DB	trading symbol for Kelt Exploration Ltd. 5% convertible debentures on the TSX
GAAP	Generally Accepted Accounting Principles
CDE	Canadian development expenses, as defined in the *Income Tax Act* (Canada)
MRF	Modernized Royalty Framework (Alberta)

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