PRESS RELEASE
(Stock Symbol **"KEL"** – TSX)
May 11, 2016
Calgary, Alberta

KELT REPORTS FINANCIAL AND OPERATING RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2016

Kelt Exploration Ltd. ("Kelt" or the "Company") has released its financial and operating results for the three months ended March 31, 2016. The Company's financial results are summarized as follows:

FINANCIAL HIGHLIGHTS	Three months ended March 31		Change
(CA$ thousands, except as otherwise indicated)	**2016**	2015	%
Revenue, before royalties and financial instruments	**40,398**	39,383	3%
Funds from operations(1)	**5,951**	13,980	-57%
Basic ($/ common share)(1)	**0.04**	0.11	-64%
Diluted ($/ common share)(1)	**0.04**	0.11	-64%
Profit (loss) and comprehensive income (loss)	**(25,918)**	(16,524)	-57%
Basic ($/ common share)	**(0.15)**	(0.13)	-15%
Diluted ($/ common share)	**(0.15)**	(0.13)	-15%
Total capital expenditures, net of dispositions	**23,405**	77,700	-70%
Total assets	**1,268,268**	966,613	31%
Bank debt, net of working capital	**230,290**	138,750	66%
Shareholders' equity	**822,229**	635,708	29%
Weighted average common shares outstanding (000s)			
Basic	**168,824**	128,194	32%
Diluted	**168,869**	128,920	31%

(1) Refer to advisory regarding non-GAAP measures

FINANCIAL STATEMENTS

Kelt's unaudited condensed consolidated interim financial statements and related notes for the quarter ended March 31, 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 May 11, 2016.

Kelt's operating results for the three months ended March 31, 2016 are summarized as follows:

OPERATIONAL HIGHLIGHTS	Three months ended March 31		Change
(CA$ thousands, except as otherwise indicated)	**2016**	2015	%
Average daily production			
Oil (bbls/d)	**5,873**	4,957	18%
NGLs (bbls/d)	**2,740**	1,379	99%
Gas (mcf/d)	**88,093**	58,016	52%
Combined (BOE/d)	**23,295**	16,005	46%
Production per million common shares (BOE/d)(1)	**138**	125	10%
Average realized prices, before financial instruments			
Oil ($/bbl)	**34.01**	45.45	-25%
NGLs ($/bbl)	**14.24**	25.73	-45%
Gas ($/mcf)	**2.33**	3.05	-24%
Operating netbacks(1) ($/BOE)			
Oil and gas revenue	**19.06**	27.34	-30%
Realized gain on financial instruments	**-**	1.27	-
Average realized price, after financial instruments	**19.06**	28.61	-33%
Royalties	**(1.35)**	(3.29)	-59%
Production expense	**(10.24)**	(11.93)	-14%
Transportation expense	**(2.71)**	(2.61)	4%
Operating netback(1)	**4.76**	10.78	-56%
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	**642,122**	511,550	26%
Net acres	**518,725**	339,783	53%

(1) Refer to advisory regarding non-GAAP measures

MESSAGE TO SHAREHOLDERS

Kelt achieved record production levels in the first quarter of 2016. Average production for the three months ended March 31, 2016 was 23,295 BOE per day, up 46% from average production of 16,005 BOE per day during the first quarter of 2015. Daily average production in the first quarter of 2016 was 16% higher than average production of 20,086 BOE per day in the fourth quarter of 2015.

Kelt's realized average oil price was $34.01 per barrel, down 25% from $45.45 per barrel in the first quarter of 2015. The realized average NGLs price during the first quarter of 2016 was $14.24 per barrel, down 45% from $25.73 per barrel in the corresponding period of 2015. The realized average gas price was $2.33 per MCF, down 24% from the realized average gas price in the first quarter of 2015.

For the three months ended March 31, 2016, revenue was $40.4 million and funds from operations was $6.0 million ($0.04 per share, diluted). At March 31, 2016, bank debt, net of working capital was $230.3 million. Operating expenses of $10.24 per BOE continue to improve and were 14% lower compared to $11.93 per BOE in the first quarter of 2015. During 2016, Kelt will continue to work on infrastructure projects that are expected to further reduce operating costs.

During the three months ended March 31, 2016, Kelt drilled 3 gross (2.5 net) wells. Two wells (100% working interest) were drilled at Inga, British Columbia ("BC"), and one well (50% working interest) was drilled at Progress, Alberta. The Inga well, targeting a new Triassic Doig anomaly, and the Progress well, drilled as a follow-up to the original Progress Montney oil discovery well, are both expected to be completed in the second quarter.

Total capital expenditures, net of dispositions, were $23.4 million during the first quarter of 2016. Kelt spent $0.7 million on land, $13.3 million drilling and completing wells, and $10.5 million on infrastructure, primarily to equip and tie-in wells drilled and completed in the previous year and to optimize existing key infrastructure. On March 31, 2016, the Company completed a minor property disposition of certain non-core assets located at Boundary Lake, Alberta, for cash proceeds of $1.1 million, before closing adjustments.

Subsequent to March 31, 2016, Kelt has taken 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 subordinated unsecured debentures, resulting in net proceeds of approximately $86.5 million.

On April 28, 2016, Kelt closed an acquisition of oil and gas assets in its core area at Progress, Alberta, for cash consideration of $18.8 million, before closing adjustments. The acquisition included approximately 600 BOE per day of current production (60% light oil), 4,135 net acres of land, and infrastructure that is an integral part of Kelt's existing light oil play at Progress.

During the second quarter of 2016, Kelt has budgeted downtime of approximately 7,200 BOE per day for a planned turnaround at the Progress Gas Plant that is expected to commence on or around May 28, 2016 and last just over two weeks. The Company has budgeted additional production downtime for other minor facility turnaround operations during the quarter. Recent forest fires in the vicinity of Fort St. John, BC, caused the Company production disruptions due to an evacuation order that required the West Stoddart Gas Plant to be temporarily shut-in. However, during this period, Kelt was able to mitigate certain production losses by diverting approximately 50% of its BC gas production to the McMahon Gas Plant. The West Stoddart Gas Plant is currently back on production. As a result of downtime, Kelt is forecasting second quarter 2016 production to average approximately 20,500 BOE per day.

Kelt has revised its 2016 outlook and guidance to reflect the aforementioned financing activities, the acquisition of assets at Progress and changes to forecasted commodity prices as follows:

- Average production of 21,500 BOE per day, up from previous guidance of 21,000 BOE per day;
- 2016 production mix is expected to be weighted 37% to oil & NGLs and 63% to gas;
- 2016 operating income is expected to be derived 86% from oil & NGLs and 14% from gas;
- Average WTI price of US$43.25 per barrel, up 11% from previous forecast;
- Average AECO gas price of $1.90 per GJ, down 24% from previous forecast;
- Total capital expenditures of $83.0 million, up 28% from previous guidance (mainly to reflect the acquisition of assets at Progress);
- Funds from operations of $50.0 million ($0.29 per share, diluted), down 9% from previous guidance; and
- Bank debt, net of working capital of $137.0 million (2.7x trailing funds from operations), down 38% from previous guidance.

On April 21, 2016, the Government of Alberta released further details of the Alberta Modernized Royalty Framework ("MRF"). The full extent of the impact of the MRF on the Company's future financial condition and performance is still being evaluated, however, high productivity deep oil plays are expected to benefit the most. Kelt is exposed to such plays in its core Montney oil development areas at Pouce Coupe, Progress, LaGlace and Karr. The Company's gas prospects appear to be value neutral under the MRF using current strip pricing.

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 take advantage of the downturn by continuing with its strategy with emphasis on low-cost land accumulation in its core operating areas. Management looks forward to updating shareholders with 2016 second quarter results on or about August 10, 2016.

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 build on its current inventory of development projects by adding new exploration prospects.

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 March 8, 2016.

(CA$ millions, except as otherwise indicated)	**Revised Guidance**	Previous Guidance	Change
Average Production			
Oil and NGLs (bbls/d)	**7,950**	7,360	8%
Gas (mmcf/d)	**81,300**	81,840	-1%
Combined (BOE/d)	**21,500**	21,000	2%
Production per million common shares (BOE/d)	**124**	124	0%
Forecasted Average Commodity Prices			
WTI oil price (US$/bbl)	**43.25**	39.00	11%
Canadian Light Sweet ($/bbl)	**51.05**	48.40	5%
NYMEX natural gas price (US$/MMBTU)	**2.35**	2.50	-6%
AECO natural gas price ($/GJ)	**1.90**	2.50	-24%
Forecasted Average Exchange Rate (US$/CA$)	**0.772**	0.730	6%
Capital Expenditures			
Drilling & completions	**41.0**	37.0	11%
Facilities, pipeline & well equipment	**15.0**	17.0	-12%
Land and seismic	**10.0**	11.0	-9%
Property acquisitions	**18.2**	-	-
Property dispositions	**(1.2)**	-	-
Total Capital Expenditures	**83.0**	65.0	28%
Funds from operations	**50.0**	55.0	-9%
Per common share, diluted	**0.29**	0.32	-9%
Bank debt, net of working capital, at year-end(1)	**137.0**	222.0	-38%
Weighted average common shares outstanding (millions)	**173**	169	2%
Common shares issued and outstanding (millions)	**174**	169	3%

(1) In addition to bank debt, the Company has $90.0 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, 86% of forecasted operating income in 2016 is expected to be generated from oil and NGLs versus 14% from gas (previously, 81% of forecasted operating income in 2016 was expected to be generated from oil and NGLs versus 19% from gas).

During 2016, the Company is forecasting oil and gas prices to average WTI US$43.25 per barrel and AECO $1.90 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 $6.2 million or 12%; a 10% decrease in the average WTI oil price forecast would decrease funds from operations by $6.7 million or 13%; a 10% increase in the average AECO gas price forecast would increase funds from operations by $7.1 million or 14%; and a 10% decrease in the average AECO gas price forecast would decrease funds from operations by $7.4 million or 15%. The Company reviews its commodity price forecasts periodically and retains the flexibility to adjust its capital expenditure plans accordingly.

Royalties are expected to average 9.3% of oil and gas sales in 2016 (previously, 9.4%). During 2016, production and transportation expense (combined) is estimated to be $12.74 per BOE (previously, $13.06 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 (previously, $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 $50.0 million or $0.29 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 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 anticipated continued reduction in production and transportation expenses resulting from operational initiatives and expenditures on infrastructure; the budgeted level of production downtime for planned facility and plant turnaround operations; the possible impact of unplanned production disruptions resulting from forest fires in northeastern BC on forecast production for the second quarter of 2016; the Company's ability to continue accumulating land at a low-cost in its core operating areas; the potential impact of the MRF; and the Company's expected future financial position and operating results, as well as the amount and timing of future development capital expenditures.

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 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.

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 MD&A 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
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
BC	Province of British Columbia
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
CDE	Canadian development expense, as defined in the *Income Tax Act* (Canada)
GAAP	Generally Accepted Accounting Principles
MRF	Modernized Royalty Framework (Alberta)

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