kelt exploration

MANAGEMENT'S DISCUSSION & ANALYSIS

AS AT AND FOR THE THREE MONTHS ENDED

MARCH 31, 2023

MANAGEMENT’S DISCUSSION & ANALYSIS

Kelt Exploration Ltd. (“Kelt” or the “Company”) is an oil and gas company based in Calgary, Alberta, focused on the exploration, development and production of crude oil and natural gas resources in Western Canada. Kelt’s business plan is for long-term profitable growth by implementing a full cycle exploration and development program, with emphasis on low-cost land accumulation with the potential for high rates of return on capital invested. Kelt has an active exploration and development drilling program that it may complement with acquisitions and dispositions that optimize its asset base.

The Company was incorporated under the *Business Corporations Act* (Alberta) on October 11, 2012. Kelt’s assets are comprised of three core operating divisions, namely: (1) Wembley/Pipestone in Alberta; (2) Pouce Coupe/Progress/Spirit River in Alberta; and (3) Oak/Flatrock in British Columbia. The Company’s British Columbia assets are operated by Kelt Exploration (LNG) Ltd. (“Kelt LNG”), a wholly owned subsidiary of Kelt. The head office of the Company is located at Suite 300, 311 - 6th Avenue S.W., Calgary, Alberta T2P 3H2. The Company’s common shares are listed on the Toronto Stock Exchange (“TSX”) under the symbol “KEL”. Additional information relating to Kelt can be found on SEDAR at www.sedar.com.

This Management’s Discussion and Analysis (“MD&A”) is dated May 4, 2023 and should be read in conjunction with the Company’s unaudited condensed consolidated interim financial statements and related notes as at and for the three months ended March 31, 2023 and its audited consolidated annual financial statements and MD&A as at and for the year ended December 31, 2022. The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). The Company’s Board of Directors approved and authorized the consolidated interim financial statements for issue on May 4, 2023.

GENERAL ADVISORY

This MD&A contains certain specified financial measures consisting of non-GAAP measures, capital management measures, and supplementary financial measures. These non-GAAP and other financial measures include “adjusted funds from operations”, “annualized quarterly adjusted funds from operations”, “adjusted funds from operations per common share”, “petroleum and natural gas sales before marketing revenue” “petroleum and natural gas sales after cost of purchases”, “operating netback”, “net debt (surplus)”, “net realized prices” and “net debt (surplus) to annualized quarterly adjusted funds from operations ratio” which do not have standardized meanings prescribed by generally accepted accounting principles (“GAAP”) and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. For further information and reconciliation to Canadian generally accepted accounting principles “GAAP” measures, see “*Non-GAAP and Other Financial Measures*” in this MD&A.

This MD&A contains forward-looking information within the meaning of applicable Canadian securities laws. The use of and of the words “will”, “expects”, “believe”, “plans”, potential”, “forecasts” and similar expressions are intended to identify forward-looking statements. Such forward-looking information is based upon certain expectations and assumptions and actual results may differ materially from those expressed or implied by such forward-looking information. For further information regarding the forward-looking information contained herein, including the assumptions underlying such forward-looking information, see *“Advisories Regarding Forward-Looking Statements”* in this MD&A.

BASIS OF PRESENTATION

All dollar amounts are referenced in thousands of Canadian dollars, except when noted otherwise. This MD&A 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. Such abbreviation may be misleading, particularly if used in isolation. References to “oil” in this MD&A include crude oil and field condensate. References to “natural gas liquids” or “NGLs” include pentane, butane, propane, and ethane. References to “gas” include natural gas and sulphur.

FINANCIAL AND OPERATING SUMMARY

	Three months ended March 31		
(CA$ thousands, except as otherwise indicated)	**2023**	2022	%
FINANCIAL PERFORMANCE			
Petroleum and natural gas sales	**139,571**	138,446	1
Cash provided by operating activities	**100,160**	65,553	53
Adjusted funds from operations (1)	**92,000**	74,169	24
Diluted ($/ common share) (1)	**0.47**	0.38	24
Net income and comprehensive income	**16,336**	10,720	52
Diluted ($/ common share)	**0.08**	0.06	33
Capital expenditures, net of A&D (1)	**76,629**	83,693	-8
Net debt (surplus) (1)	**(4,899)**	34,685	114
OPERATIONAL PERFORMANCE			
Average daily production (BOE/d)	**31,833**	27,413	16
Combined net realized price, before financial instruments (1)	**47.15**	55.09	-14
Combined net realized price, after financial instruments (1)	**54.00**	49.96	8
Operating netback (1)	**33.27**	31.26	6

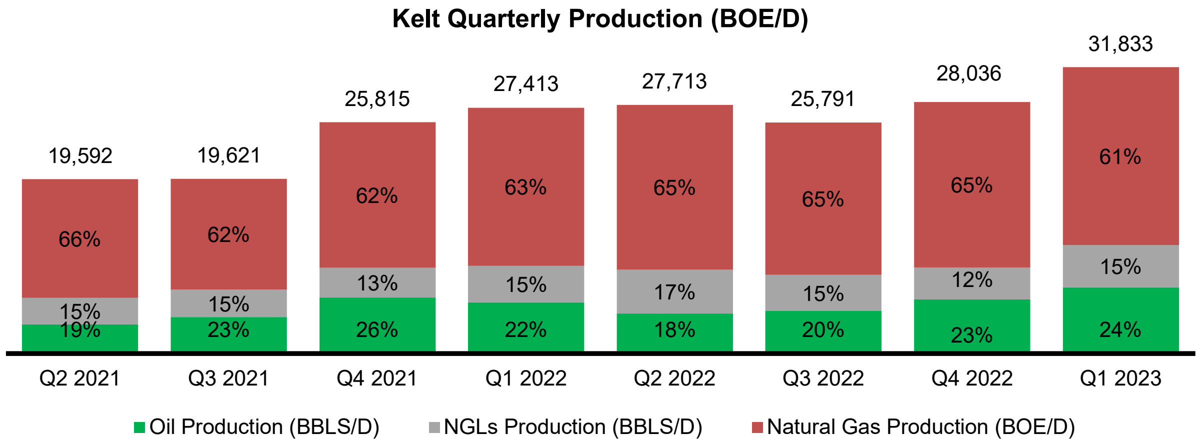
(1) Refer to advisories regarding Non-GAAP and Other Financial Measures.

In the first quarter of 2023, Kelt’s financial and operating results are highlighted by the following:

- **Production** – Average production of 31,833 BOE per day (39% oil/NGLs) increased by 14% from 28,036 BOE per day (35% oil/NGLs) in the fourth quarter of 2022 and increased 16% from 27,413 BOE per day in the first quarter of 2022.
- **Petroleum and natural gas sales –** For the three months ended March 31, 2023, petroleum and natural gas sales remained consistent with the first quarter of 2022 and decreased 9% from the fourth quarter of 2022. Kelt’s combined net realized price before financial instruments of $47.15 per BOE decreased 16% from the fourth quarter of 2022 and decreased 14% from the first quarter of 2022.
- **Operating netback** – Kelt’s operating netback was $33.27 per BOE for the quarter ended March 31, 2023, up 6% from $31.26 per BOE during the quarter ended March 31, 2022 and was driven primarily by an increase in a realized hedging gain in the first quarter of 2023 compared to a realized hedging loss in the first quarter of 2022.
- **Cash provided by operating activities and adjusted funds from operations** – Cash provided by operating activities increased to $100.2 million in the first quarter of 2023 compared to $65.6 million in the first quarter of 2022. Adjusted funds from operations of $92.0 million during the three months ended March 31, 2023 ($0.47 per share, diluted) increased 24% from the first quarter of 2022. The increase in both cash provided by operating activities and adjusted funds from operations was primarily driven by an increase in production and an increase in realized financial derivative contracts which partially offset the lower benchmark commodity prices in the first quarter of 2023.
- **Net income** – Kelt reported net income of $16.3 million ($0.08 per common share, diluted) for the three months ended March 31, 2023, compared to net income of $10.7 million ($0.06 per common share, diluted) in the comparative period of 2022.
- **Capital investments** – Capital expenditures, net of A&D, was $76.6 million in the first quarter of 2023 which included the drilling of 9.0 net wells and completion of 7.0 net wells. Facilities, pipeline and well equipment expenditures were $18.7 million.

- **Liquidity** – The Company ended the quarter with a working capital surplus of $4.9 million, and no borrowings on its credit facility other than outstanding letters of credit of $2.6 million.

PRODUCTION

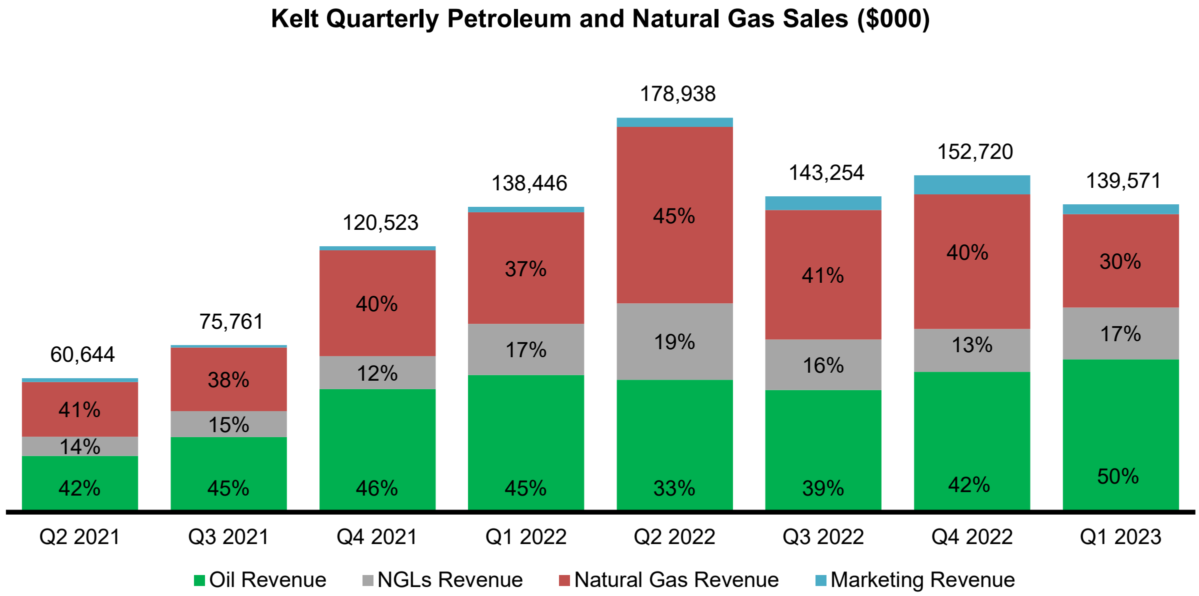


	Three months ended March 31		
(CA$ thousands, except as otherwise indicated)	**2023**	2022	%
Average daily production:			
Oil (bbls/d) (1)	**7,752**	6,081	27
NGLs (bbls/d)	**4,627**	4,012	15
Gas (mcf/d)	**116,725**	103,919	12
Combined (BOE/d)	**31,833**	27,413	16
Oil and NGLs weighting	**39%**	37%	5

(1) “Oil” includes crude oil and field condensate combined

Average production for the three months ended March 31, 2023 increased 16% compared to the same period in 2022 and increased 14% compared to the average production during the fourth quarter of 2022. The increase in production was primarily due to wells brought on-stream in the fourth quarter of 2022 and from additional Charlie Lake wells brought on-stream in the first quarter of 2023. Oil and NGLs weighting of total production increased to 39% during the first quarter of 2023 compared to 37% in the comparable period of 2022, primarily due to the higher oil content from the Charlie Lake wells brought on production in the first quarter of 2023 and in the fourth quarter of 2022.

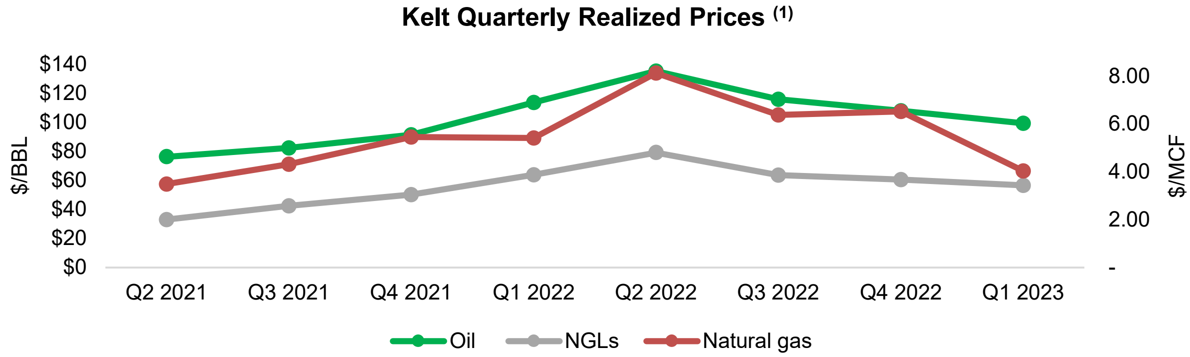
PETROLEUM AND NATURAL GAS SALES ("P&NG SALES")



	Three months ended March 31		
(CA$ thousands, except as otherwise indicated)	**2023**	2022	%
P&NG Sales before royalties and financial instruments			
Oil [(5)]	**69,211**	62,171	11
NGLs	**23,519**	23,072	2
Gas	**42,275**	50,655	-17
P&NG Sales before marketing revenue [(4)(6)]	**135,005**	135,898	-1
Marketing revenue [(1)]	**4,566**	2,548	79
P&NG Sales	**139,571**	138,446	1
Cost of purchases [(2)]	**(4,475)**	(2,548)	76
P&NG Sales after cost of purchases [(3)(6)]	**135,096**	135,898	-1
Combined net realized price ($/BOE) [(4)(6)]	**47.15**	55.09	-14

(1) Marketing revenue includes the sale of third-party volumes related to the Company's oil blending operations and natural gas activities.
(2) Cost of purchases includes costs for the purchase of third-party volumes related to the Company's oil blending operations and natural gas activities.
(3) P&NG sales after cost of purchases includes petroleum and natural gas sales, net of the cost of the third-party volumes purchased.
(4) Combined net realized price ($/BOE) equals P&NG sales after cost of purchases divided by total production.
(5) "Oil" includes crude oil and field condensate.
(6) Refer to advisories regarding Non-GAAP and Other Financial Measures.

Petroleum and natural gas sales in the first quarter of 2023 of $139.6 million was relatively consistent with the first quarter of 2022. A 16% increase in production in the first quarter of 2023 compared to the first quarter of 2022 offset a 14% decrease in the Company's combined net realized price during the quarter.



(1) Net realized prices are calculated based on Petroleum and Natural Gas Sales, less the cost of purchases of third-party volumes and reflect Kelt's realized commodity prices plus the net benefit of oil blending and natural gas marketing activities. Net realized prices exclude both realized and unrealized gains and losses on risk management contracts. Refer to additional information under the heading of "Non-GAAP and Other Financial Measures".

	Three months ended March 31		
(CA$ thousands, except as otherwise indicated)	**2023**	2022	%
Net realized prices (before financial instruments) (10)			
Oil ($/bbl) (9)	**99.33**	113.60	-13
NGLs ($/bbl)	**56.48**	63.90	-12
Gas ($/Mcf)	**4.03**	5.41	-26
Combined ($/BOE)	**47.15**	55.09	-14
Average benchmark prices			
Oil and NGLs			
WTI Cushing Oklahoma (US$/bbl) (1)	**76.05**	94.55	-20
Mixed Sweet Blend Edmonton ("MSW") ($/bbl) (2)	**98.97**	115.95	-15
Edmonton Pentane ($/bbl) (3)	**106.90**	122.34	-13
Edmonton Butane ($/bbl) (3)	**52.59**	72.52	-27
Edmonton Propane ($/bbl) (3)	**33.52**	57.85	-42
Edmonton Ethane ($/bbl) (3)	**8.99**	13.21	-32
Natural Gas			
NYMEX Henry Hub (US$/MMBtu) (6)	**2.68**	4.60	-42
AECO 5A (CA$/MMBtu) (4)	**3.23**	4.74	-32
Chicago Alliance, into Interstates (CA$/MMBtu) (5)	**3.60**	5.57	-35
Dawn (CA$/MMBtu) (5)	**3.70**	5.60	-34
Malin (CA$/MMBtu) (5)	**12.66**	5.82	118
Sumas (CA$/MMBtu) (5)	**11.14**	5.63	98
Station 2 (CA$/MMBtu) (7)	**2.90**	4.71	-38
Marcellus (TZ4 L300) (CA$/MMBtu) (5)	**3.01**	5.18	-42
Average exchange rate (CA$/US$) (8)	**1.3522**	1.2662	7

(1) Source: U.S Energy Information Administration, Canadian dollar equivalent price WTI price ("CA$WTI") is calculated based on the monthly average US dollar WTI price and the monthly average CA$/US$ exchange rate (8).

(2) Source: Tidal Energy Marketing.

(3) Source: Sproule Associates Limited.

(4) Source: Canadian Gas Price Reporter converted to CA$/MMBtu using monthly average CA$/US$ exchange rate (8).

(5) Source: S&P Global Platts (US$/MMBtu) Daily Midpoint Average converted to CA$/MMBtu using monthly average CA$/US$ exchange rate (8).

(6) Source: S&P Global Platts (US$/MMBtu) Daily Midpoint Average

(7) Source: S&P Global Platts (CA$/GJ) Daily Midpoint Average converted to CA$/MMBtu

(8) Source: Bank of Canada.

(9) “Oil” includes crude oil and field condensate

(10) Net realized prices are calculated based on Petroleum and Natural Gas Sales, less the cost of purchases of third-party volumes and reflect Kelt’s realized commodity prices plus the net benefit of oil blending and natural gas marketing activities. Net realized prices exclude both realized and unrealized gains and losses on risk management contracts. Refer to additional information under the heading of “Non-GAAP and Other Financial Measures”.

Combined Net Realized Price

Kelt’s combined average realized price decreased 14% to $47.15 per BOE in the first quarter of 2023 versus the comparable period in 2022. The decrease in the average realized price was primarily due to a decrease in benchmark commodity prices in 2023.

Oil prices

Benchmark WTI crude oil prices decreased 20% for the quarter ended March 31, 2023 compared to the first quarter of 2022. Crude oil prices in the first quarter of 2023 decreased from the average price in 2022 as demand growth in the OECD countries slowed as a result of the impact of rising interest rates, while crude oil remained relatively well supplied.

NGL prices

NGLs prices are impacted both by benchmark prices, as well as localized market supply and demand issues.

For the three months ended March 31, 2023, Kelt’s realized NGLs price decreased 12% compared to the same period in 2022, primarily due to a decrease in benchmark WTI prices.

Natural gas prices

Kelt’s realized natural gas price decreased by 26% to $4.03 per MCF in the first quarter of 2023 compared to the first quarter of 2022. Canadian natural gas benchmark prices decreased in 2023 compared to 2022 primarily due to higher North American natural gas production and lower than expected demand during a warm winter heating season.

In the first quarter of 2023, Kelt’s sold approximately 30% of its natural gas sold outside of AECO 5A and Station 2 compared to approximately 26% in the first quarter of 2022.

RISK MANAGEMENT AND HEDGING ACTIVITIES

The Company may enter into fixed price contracts and derivative financial instruments for commodity prices, currency exchange and interest rates in order to secure future cash flows or to protect a desired level of capital spending. Fair value accounting for derivative financial instruments may cause significant fluctuations in the reported amounts of derivative financial instrument assets and liabilities and the resultant magnitude of unrealized gains and losses.

The table below summarizes realized and unrealized gains (losses) on risk management contracts:

	Three months ended March 31	
	2023	2022
Realized gain (loss)	**19,621**	(12,659)
Unrealized loss	**(33,853)**	(27,986)
Loss on derivative financial instruments	**(14,232)**	(40,645)
$ per BOE	**(4.97)**	(16.47)

Commodity price risk

Inherent to the business of producing oil and gas, the Company's net income is subject to commodity price risk. Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices are impacted by world economic events that dictate the levels of supply and demand as well as the currency exchange rate relationship between the Canadian and US dollar.

As at May 4, 2023, the following commodity price risk management contracts are outstanding:

Natural gas derivative contracts

Contract Type (2)	Notional Volume	Contract Price $/MMBtu	Remaining Term
AECO 5A fixed price swap	5,000 GJ/d	CAD$4.00/GJ	Apr 23 – Oct 23
NYMEX-AECO 5A basis swap	10,000 MMBtu/d	Monthly AECO basis calculated at 30% of the floating monthly NYMEX price	Apr 23 – Oct 24
NYMEX-AECO 5A basis swap	15,000 MMBtu/d	NYMEX less USD$1.17	Apr 23 – Oct 23
NYMEX-AECO 7A basis swap	25,000 MMBtu/d	NYMEX less USD$1.10	Apr 23 – Jul 23
NYMEX-AECO 7A basis swap	35,000 MMBtu/d	NYMEX less USD$1.18	Aug 23 – Oct 23
NYMEX-AECO 7A basis swap	10,000 MMBtu/d	NYMEX less USD$1.07	Nov 23 – Oct 24
NYMEX-AECO 5A basis swap	30,000 MMBtu/d	NYMEX less USD$1.10	Nov 24 – Oct 25
NYMEX-AECO 7A basis swap	10,000 MMBtu/d	NYMEX less USD$1.06	Nov 24 – Oct 25

Crude oil derivative contracts

Contract Type (1)(3)	Notional Volume	Contract Price $/bbl	Remaining Term
WTI-MSW basis swap	2,500 bbl/d	WTI less USD$2.70	Apr 23 – Jun 23

(1) West Texas Intermediate ("WTI")
(2) NYMEX Henry Hub ("NYMEX")
(3) Mixed Sweet Blend ("MSW")

Interest rate risk

The Company is exposed to interest rate risk as changes in market interest rates will impact the Company's Credit Facility which is subject to a floating interest rate. As at May 4, 2023, there are no interest rate risk management contracts outstanding.

Foreign exchange risk

Kelt is exposed to fluctuations of the Canadian to U.S. dollar exchange rate given realized pricing is directly influenced by U.S. dollar denominated benchmark pricing and from exposure from certain U.S. dollar denominated natural gas marketing arrangements.

As of May 4, 2023, the following foreign exchange risk management contracts are outstanding:

Contract Type	Notional Volume	Contract Price	Remaining Term
CAD/USD swap	USD$3.0 million/month	$1.3625 CAD/USD	Apr 23 – Dec 23
CAD/USD swap	USD$500,000/month	$1.3700 CAD/USD	Jan 24 – Dec 24
Sold call option on average rate forward	USD$1.0 million/month if option exercised by counterparty	$1.3700 CAD/USD	Option exercise date – Dec 2023 Term if exercised – Jan 2024 to Dec 2024

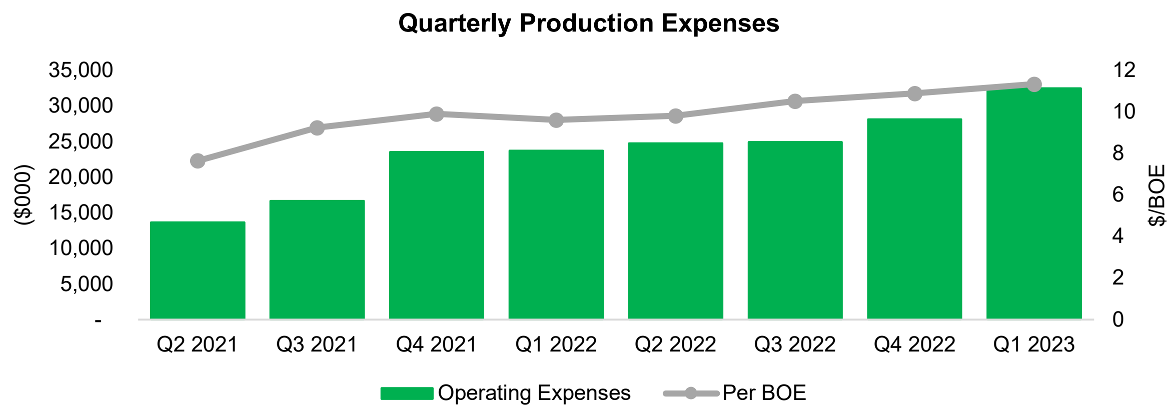
ROYALTIES

	Three months ended March 31		
(CA$ thousands, unless otherwise indicated)	**2023**	2022	%
Royalties	**18,292**	14,854	23
Average royalty rate [(1)]	**13.5%**	10.9%	24
$ per BOE	**6.38**	6.02	6

(1) The average royalty rate is calculated based on total royalties as a percentage of "P&NG Sales, before marketing" which excludes sales related to the sale of third party production volumes used in oil blending operations (see table under the heading of *"Petroleum and Natural Gas Sales"*).

Kelt's average royalty rate was 13.5% during the first quarter of 2023, compared to 10.9% during the first quarter of 2022. The increase in the 2023 royalty rate was primarily due to wells moving off the initial royalty rate and being subject to higher royalty rates that are sensitive to commodity prices.

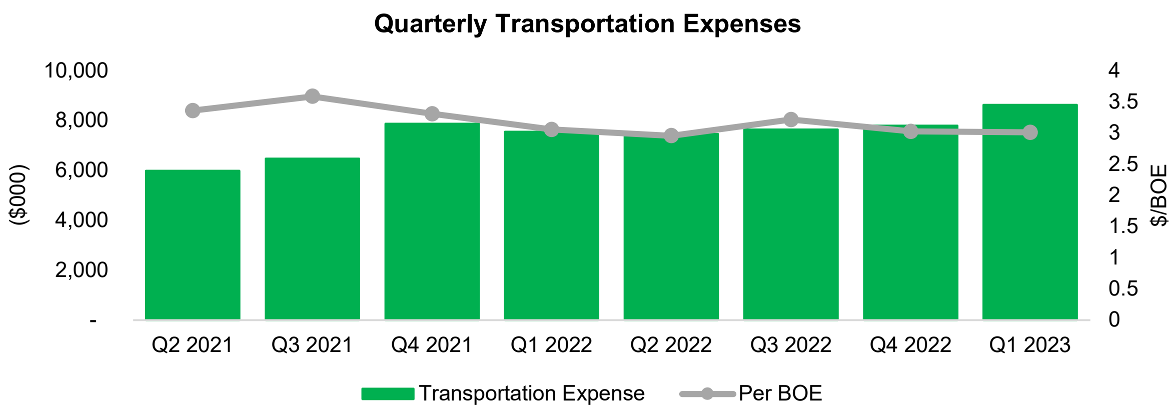
PRODUCTION EXPENSES



	Three months ended March 31		
(CA$ thousands, unless otherwise indicated)	**2023**	2022	%
Production expense	**32,479**	23,730	37
$ per BOE	**11.34**	9.62	18

The Company incurred production expenses of $32.5 million during the first three months of 2023, up 37% from the comparative quarter. Production expenses averaged $11.34 per BOE during the first three months of 2023, compared to $9.62 per BOE in the same period in 2022. Production expense per BOE for the three months ended March 31, 2023 increased from 2022 primarily due to higher utility and trucking costs in the first quarter of 2023.

TRANSPORTATION EXPENSES



	Three months ended March 31		
(CA$ thousands, unless otherwise indicated)	**2023**	2022	%
Transportation expense [(1)]	**8,633**	7,558	14
$ per BOE	**3.01**	3.06	-2

(1) Pipeline tariffs are classified as transportation expenses when the Company has firm commitments or contractual arrangements on the pipeline. Pipeline tariffs may also be incurred indirectly by way of deduction from the base price paid by the purchasers of the Company's oil, NGLs and gas sales. In the latter case, and in the absence of a firm contractual obligation on the pipeline, the pipeline tariffs are presented as a reduction of revenue rather than as transportation expense.

On a per BOE basis, transportation expense remained relatively consistent in the first quarter of 2023 compared to the same period in 2022.

FINANCING EXPENSES

	Three months ended March 31		
(CA$ thousands, unless otherwise indicated)	**2023**	2022	%
Total interest expense	**355**	300	18
Accretion of decommissioning obligations	**708**	467	52
Total financing expense	**1,063**	767	39
Interest expense per BOE [(1)]	**0.12**	0.12	-
Average interest rates:			
Bank debt [(2)]	**7.9%**	4.4%	80

(1) Interest expense used in the calculation of "Interest expense per BOE" includes interest and fees on bank debt and accrued cash interest on convertible debentures.

(2) Average interest rate excludes fees on bank debt which include bank commitment, standby and guarantee letter fees.

The Company periodically drew on its credit facility and incurred standby fees throughout the first quarter of 2023 resulting in interest expense of $0.4 million. As at March 31, 2023, there were no amounts drawn on Kelt's credit facility.

Additional information regarding the credit facility is provided under the heading of *"Capital Resources and Liquidity"*.

GENERAL AND ADMINISTRATIVE ("G&A") EXPENSES

The following table summarizes significant components of the Company's G&A expenses:

	Three months ended March 31		
(CA$ thousands, unless otherwise indicated)	**2023**	2022	%
Salaries and benefits	**3,713**	2,913	27
Other G&A expenses	**1,676**	1,519	10
Gross G&A expenses	**5,389**	4,432	22
Overhead recoveries	**(2,395)**	(1,868)	28
Net G&A expenses	**2,994**	2,564	17
Gross G&A ($ per BOE)	**1.88**	1.80	4
Net G&A ($ per BOE)	**1.05**	1.04	1

Net G&A expenses per BOE remained relatively unchanged at $1.05 in the first quarter of 2023, compared to $1.04 in the first quarter of 2022 as net G&A expenses increased at the same rate as production.

G&A expenses are reported net of overhead recoveries; however, Kelt does not capitalize any direct G&A expenses.

SHARE BASED COMPENSATION ("SBC")

	Three months ended March 31		
(CA$ thousands, unless otherwise indicated)	**2023**	2022	%
Stock options	**1,533**	889	72
Restricted share units ("RSUs")	**343**	215	60
Total SBC expense	**1,876**	1,104	70
$ per BOE	**0.65**	0.45	44

The increase in SBC expense during the quarter ended March 31, 2023 compared to the same quarter in 2022 is primarily due to the higher fair value associated with recent option grants.

As at March 31, 2023, stock options and RSUs outstanding represent 7.1% of total shares outstanding (December 31, 2022 – 5.9%).

DEPLETION AND DEPRECIATION

	Three months ended March 31		
(CA$ thousands, unless otherwise indicated)	**2023**	2022	%
Depletion and depreciation expense	**32,242**	29,395	10
$ per BOE	**11.25**	11.91	-6

Depletion and depreciation expense was $32.2 million for the quarter ended March 31, 2023 compared to $29.4 million in the same quarter in 2022 primarily due to an increase in production and an increase to the depletable base as more capital costs were added. On a per BOE basis, the depletion and depreciation expense per BOE decreased 6% in 2023 versus the same period in 2022 primarily due to an increase proved reserves in the fourth quarter of 2022.

Based on its assessment as of March 31, 2023, the Company determined that there were no potential indicators of impairment for the Alberta CGU and BC CGU and there are no previous impairments available for reversals.

INCOME TAXES

(CA$ thousands, unless otherwise indicated)	Three months ended March 31 2023	2022	%
Deferred income tax expense	**5,770**	4,255	36
Net income before taxes	**22,106**	14,975	48
Effective tax expense rate	**26.1%**	28.4%	-8

Kelt's consolidated combined federal and provincial statutory tax rate averaged 23.0% during the three months ended March 31, 2023 and 2022. The Company is not expected to have any cash income taxes payable in 2023.

The Company's consolidated tax pools are estimated to be approximately $753.8 million as of March 31, 2023, a decrease of 2% from December 31, 2022 as summarized in the table below.

(CA$ thousands, unless otherwise indicated)	Rate	**March 31 2023**	December 31 2022	% change
Canadian oil and gas property expenses (COGPE)	10-15%	**65,251**	66,848	-2
Canadian development expenses (CDE)	30-45%	**229,189**	192,737	19
Canadian exploration expenses (CEE)	100%	**346**	-	-
Undepreciated capital cost (1) (UCC)	25-37.5%	**232,549**	228,487	2
Share and debt issue costs (SIC/DIC)	5 years	**6**	8	-25
Non-capital losses (2) (NCL)	100%	**226,449**	280,308	-19
Estimated tax deductions available, end of period		**753,790**	768,388	-2

(1) The majority of the Company's undepreciated capital cost deductions relate to Class 41 assets, which are deductible at a rate of 25-37.5% per year.

(2) The Company's non-capital losses expire in years 2033 to 2041.

ADJUSTED FUNDS FROM OPERATIONS

The following table provides a continuity of income and expenses included in the Company's calculation of operating income and adjusted funds from operations generated during the three month periods ended March 31, 2023 and 2022, respectively.

THREE MONTHS ENDED MARCH 31ST	Amount			$/BOE		
(CA$ thousands, unless otherwise indicated)	**2023**	2022	%	**2023**	2022	%
Petroleum and natural gas sales	**139,571**	138,446	1	**48.71**	56.12	-13
Cost of purchases	**(4,475)**	(2,548)	76	**(1.56)**	(1.03)	51
Realized gain (loss) on financial instruments (1)	**19,621**	(12,659)	255	**6.85**	(5.13)	234
Royalties	**(18,292)**	(14,854)	23	**(6.38)**	(6.02)	6
Revenue, after royalties and financial instruments	**136,425**	108,385	26	**47.62**	43.94	8
Production expense	**(32,479)**	(23,730)	37	**(11.34)**	(9.62)	18
Transportation expense	**(8,633)**	(7,558)	14	**(3.01)**	(3.06)	-2
Operating netback (2)	**95,313**	77,097	24	**33.27**	31.26	6
Financing expense (3)	**(355)**	(300)	18	**(0.12)**	(0.12)	-
G&A expense	**(2,994)**	(2,564)	17	**(1.05)**	(1.04)	1
Loss on foreign exchange	**(78)**	(71)	10	**(0.03)**	(0.03)	-
Other income	**114**	7	1529	**0.04**	-	-
Adjusted funds from operations (2)	**92,000**	74,169	24	**32.11**	30.07	7

THREE MONTHS ENDED MARCH 31ST	Amount		
(CA$ thousands, unless otherwise indicated)	**2023**	2022	%
Basic ($ per common share) (4)	**0.48**	0.39	23
Diluted ($ per common share) (4)	**0.47**	0.38	24
Common shares outstanding (000s):			
Basic, weighted average	**192,060**	189,383	1
Diluted, weighted average	**195,370**	193,691	1

(1) Includes realized gains (losses) on commodity price and foreign exchange derivatives.

(2) Refer to advisories regarding "Non-GAAP and Other Financial Measures".

(3) Excludes non-cash accretion of decommissioning obligation.

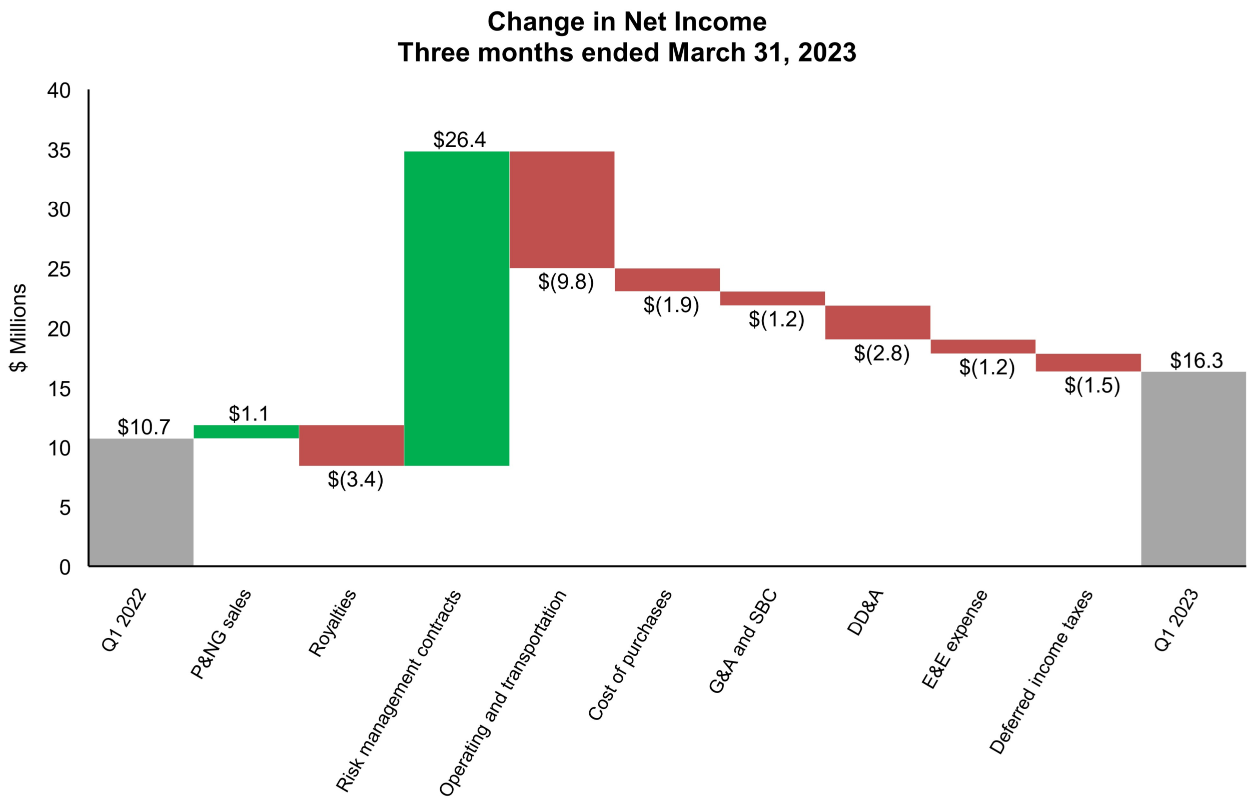
(4) Adjusted funds from operations (2) per common share is calculated on a consistent basis with net income per common share, using basic and diluted weighted average common shares as determined in accordance with GAAP.

During the three months ended March 31, 2023, adjusted funds from operations increased by 24% to $92.0 million ($0.47 per share, diluted) compared to $74.2 million ($0.38 per share, diluted) during the first quarter ended March 31, 2022. Adjusted funds from operations per BOE increased by 7% to $32.11 per BOE in the first quarter of 2023 from $30.07 per BOE in the first quarter of 2022. The increase per BOE was primarily due to Kelt's realized financial derivatives moving to a gain of $19.6 million in the first quarter of 2023 from a loss of $12.7 million in the first quarter of 2022. The gain on realized financial derivatives in the first quarter of 2023 was partially offset by a decrease in petroleum and natural gas sales per BOE of 13% due to lower realized benchmark commodity prices.

NET INCOME AND COMPREHENSIVE INCOME

	Three months ended March 31		
(CA$ thousands, unless otherwise indicated)	**2023**	2022	%
Net income and comprehensive income	**16,336**	10,720	52
$ per common share, basic	**0.09**	0.06	50
$ per common share, diluted (1)(2)	**0.08**	0.06	33
$ per BOE	**5.71**	4.35	31
Weighted average shares outstanding, basic (000s)	**192,060**	189,383	1
Weighted average shares outstanding, diluted (000s) (1)	**195,370**	193,691	1

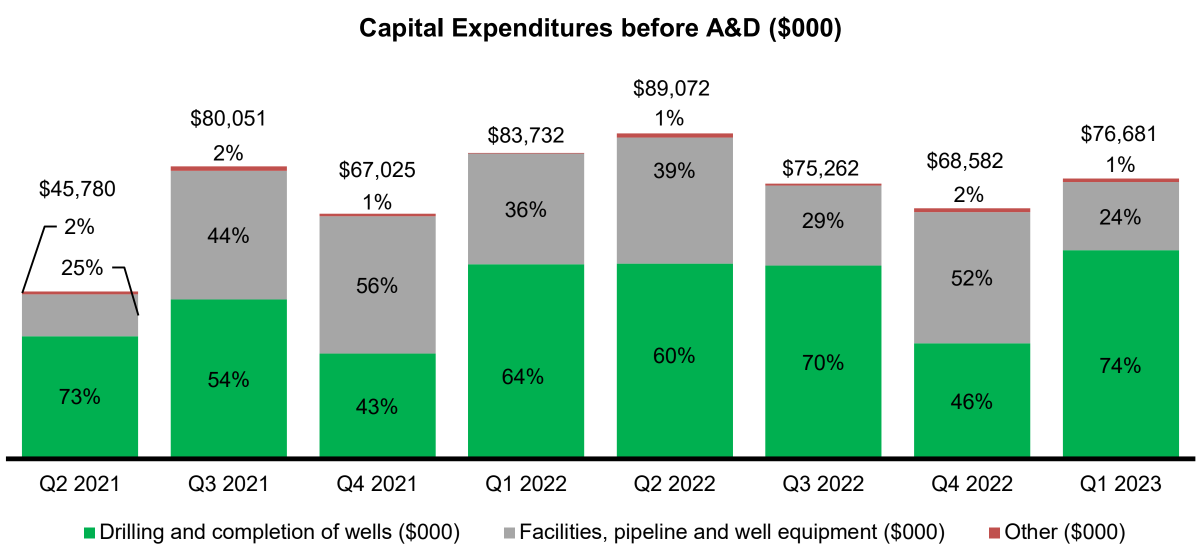
(1) The Company uses the treasury stock method to determine the dilutive effect of stock options and RSUs. Under this method, only "in-the-money" dilutive instruments impact the calculation of diluted net income per common share.



Kelt reported net income of $16.3 million ($0.08 per common share, diluted) for the three months ended March 31, 2023, compared to net income of $10.7 million ($0.06 per common share, diluted) during the three months ended March 31, 2022.

INVESTING ACTIVITIES

CAPITAL EXPENDITURES



The Company's capital expenditures, net of acquisitions and dispositions ("A&D"), are summarized in the following table:

	Three months ended March 31		
(CA$ thousands, unless otherwise indicated)	**2023**	2022	%
Capital expenditures:			
Lease acquisition and retention	**463**	133	248
Geological and geophysical	**460**	34	1253
Drilling and completion of wells	**57,038**	53,222	7
Facilities, pipeline and well equipment	**18,672**	30,325	-38
Corporate assets	**48**	18	167
Capital expenditures, before A&D (1)	**76,681**	83,732	-8
Property acquisitions	**218**	2	-
Property dispositions	**(270)**	(41)	-
Capital expenditures, net of A&D (1)	**76,629**	83,693	-8

(1) Refer to advisories regarding "Non-GAAP and Other Financial Measures".

Capital expenditures, before A&D decreased 8% in the first quarter of 2023 compared to the same quarter in 2022. Drilling and completion costs of $57.0 million in the first quarter of 2023 included the drilling of 9.0 net wells (4.0 net Montney wells at Pouce Coupe, 2.0 net Charlie Lake wells at Spirit River, 1.0 net Charlie Lake well at Wembley/Pipestone, and 2.0 net Montney wells at Oak) and the completion of 7.0 net wells (4.0 net Montney wells at Pouce Coupe, 2.0 net Charlie Lake wells at Spirit River and 1.0 net Charlie Lake well at Wembley/Pipestone). Kelt's facility, pipeline and well equipment expenditures were $18.7 million in the first quarter of 2023.

	Three months ended March 31		
Gross wells	**2023**	2022	%
Drilling	**9.0**	8.0	13
Completion	**7.0**	9.0	-22
Service	**1.0**	-	-

	Three months ended March 31		
Net wells	**2023**	2022	%
Drilling	**9.0**	7.8	15
Completion	**7.0**	8.5	-18
Service	**1.0**	-	-

CAPITAL RESOURCES AND LIQUIDITY

Kelt's objective is to maintain a flexible capital structure that provides sufficient liquidity for the Company to meet its obligations when due and to execute on its capital investment program. The Company manages its capital structure in response to changes in economic conditions and the risk characteristics of its underlying oil and natural gas assets.

As of March 31, 2023 the Company had a $100.0 million demand and revolving term facility ("the Credit Facility") with a syndicate of financial institutions. As at March 31, 2023, there were no borrowings outstanding under the Credit Facility, with outstanding letters of credit of $2.6 million.

The Credit Facility, which is subject to semi-annual redeterminations, may be extended annually at Kelt's option, subject to lender approval, with a 364 day term-out period if not renewed. Repayments of principal are not required provided that the borrowings under the facility do not exceed the authorized borrowing amount and the Company is in compliance with all covenants, representations and warranties. Covenants include industry standard positive and negative covenants including reporting requirements, permitted indebtedness, permitted risk management activities, permitted encumbrances and other standard business operating covenants. Security is provided for by a $800 million demand debenture with a floating charge over all the Company's assets.

	March 31, 2023	December 31, 2022	March 31, 2022
Bank debt	**-**	11,300	-
Accounts payable and accrued liabilities	**103,167**	83,288	99,437
Cash and cash equivalents	**(42,888)**	(125)	(2,300)
Accounts receivable and accrued sales	**(62,395)**	(81,075)	(61,020)
Prepaid expenses and deposits	**(2,783)**	(3,599)	(1,432)
Net debt (surplus) (1)	**(4,899)**	9,789	34,685
Annualized quarterly adjusted funds from operations (1)(2)	**368,000**	371,404	296,676
Net debt (surplus) to annualized quarterly adjusted funds from operations ratio (1)	**0.0**	0.0	0.1

(1) Refer to advisories regarding Capital Management Measures.

(2) Adjusted funds from operations are annualized based on the most recent quarter's adjusted funds from operations.

The Company monitors its capital structure and short-term financing requirements using a net debt (surplus) to annualized quarterly adjusted funds from operations ratio, which is a non-GAAP financial measure. Kelt targets a net debt to annualized quarterly adjusted funds from operations ratio of less than 2.0 times.

The Company may adjust its future capital structure and capital expenditures according to market conditions to maintain flexibility to achieve its objectives. To adjust its capital structure, the Company may increase or decrease capital expenditures including acquisitions and dispositions, issue new shares, issue new debt or repay existing debt.

The table below outlines a contractual maturity analysis for Kelt's financial liabilities as at March 31, 2023:

	Within 1 Year	1 to 5 Years	More than 5 Years	**Total**
Accounts payable and accrued liabilities	103,167	-	-	**103,167**
Derivative financial instruments	5,510	2,922	-	**8,432**
Lease liability	495	596	-	**1,091**
Total	**109,172**	**3,518**	**-**	**112,690**

COMMITMENTS

As of March 31, 2023, the Company is committed to future payments under the following agreements:

(CA$ thousands)	2023	2024	2025	2026	2027	Thereafter
Firm processing commitments	14,291	27,700	39,754	39,504	38,812	261,361
Firm transportation commitments	21,771	30,426	31,192	32,688	29,502	89,026
Total annual commitments	**36,062**	**58,126**	**70,946**	**72,192**	**68,314**	**350,387**

SHARE INFORMATION

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at March 31, 2023 there were 192.4 million common shares issued and outstanding; there are no preferred shares issued or outstanding.

The Company's common shares trade on the TSX under the symbol "KEL". During the first three months of 2023, 35.8 million common shares traded on the TSX at a weighted average price of $4.71 per common share, down from the volume weighted average trading price of $6.04 per common share during the year ended December 31, 2022.

As at March 31, 2023, officers, directors, and employees have been granted options to purchase 11.9 million common shares of the Company at an average exercise price of $3.78 per common share. In addition, there are 1.8 million RSUs outstanding. Additional information regarding the Company's stock options and RSUs is included in note 8 of the interim financial statements.

OFF-BALANCE SHEET TRANSACTIONS

The Company did not engage in any off-balance sheet transactions during the periods ended March 31, 2023 and 2022.

SUMMARY OF QUARTERLY RESULTS

The following tables summarize the Company's financial and operating results over the past eight quarters:

(CA$ thousands, except as otherwise indicated)	**Q1 2023**	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Petroleum and natural gas sales	**139,571**	152,720	143,254	178,938	138,446	120,523	75,761	60,644
Cash provided by operating activities	**100,160**	63,742	85,104	91,623	65,553	52,056	46,547	34,529
Adjusted funds from operations (1)	**92,000**	92,851	65,189	94,783	74,169	68,155	36,336	29,452
Per share – basic ($/common share) (1)	**0.48**	0.48	0.34	0.50	0.39	0.36	0.19	0.16
Per share – diluted ($/common share) (1)	**0.47**	0.47	0.33	0.48	0.38	0.35	0.19	0.15
Net income and comprehensive income	**16,336**	54,238	23,089	70,711	10,720	52,996	3,752	54,654
Per share – basic ($/common share)	**0.09**	0.28	0.12	0.37	0.06	0.28	0.02	0.29
Per share – diluted ($/common share)	**0.08**	0.28	0.12	0.36	0.06	0.28	0.02	0.29
Capital expenditures, net of A&D (1)	**76,629**	68,594	76,181	89,072	83,693	67,118	71,162	45,786
Total assets	**1,174,489**	1,128,104	1,078,619	1,035,372	967,119	913,497	872,212	842,454
Bank debt	**-**	11,300	-	-	-	1,150	-	-
Net debt (surplus) (1)	**(4,899)**	9,789	33,537	23,117	34,685	28,220	28,174	(6,696)
Shareholders' equity	**919,809**	901,424	845,103	818,734	739,673	722,724	668,561	663,284
Average daily production (BOE/d)	**31,833**	28,036	25,791	27,713	27,413	25,815	19,621	19,592
Combined net realized price ($/BOE) (1)(2)	**54.00**	57.57	48.97	58.50	49.96	47.39	38.33	31.49
Operating netback ($/BOE) (1)	**33.27**	37.49	28.19	38.52	31.26	30.00	21.10	17.68
Operating netback % of combined net realized price (2)	**62%**	65%	58%	66%	63%	63%	55%	56%

(1) Refer to advisories regarding "Non-GAAP and Other Financial Measures".

(2) In this table, combined net realized prices are after financial instruments.

Global crude oil prices steadily increased in 2021 due to increasing demand, OPEC+ production curtailments, and lower levels of capital investment in both OPEC+ and non-OPEC nations. In 2022, crude oil prices overall remained strong and were impacted by a number of factors including the Russian and Ukrainian conflict, the US releasing crude oil from its strategic reserves, continued COVID-19 lockdowns in China, and rising lending rates impacting global demand of crude oil. Crude oil prices in the first quarter of 2023 decreased from the average price in 2022 as demand growth in the OECD countries slowed as a result of the impact of increasing interest rates, while crude oil remained relatively well supplied.

North American benchmark natural gas prices increased in the first nine months of 2022 due to record LNG exports, below average inventory levels and increased North American demand. However, increasing US and Canadian production in 2022, and the shut-in of a US LNG export facility in June 2022 resulted in rising North American inventory levels, and a decrease in eastern North American benchmark natural gas prices in the fourth quarter of 2022 and into the first quarter of 2023.

Kelt's business objective is for long-term profitable growth by implementing a full cycle exploration and development program. Over the past eight quarters, Kelt has focused its cash provided from operating activities on its development capital program which has resulted in higher average daily production and adjusted funds from operations.

Refer to the *"Financial and Operating Summary"* section of this MD&A for further discussion. Additional information relating to Kelt, including the Company's MD&A for previous quarters, is filed on SEDAR and can be viewed at www.sedar.com

OUTLOOK AND GUIDANCE

As of the date of this MD&A, management has updated its 2023 guidance from March 3, 2023 to incorporate revised commodity price assumptions and first quarter results.

(CA$ millions, except as otherwise indicated)	**Current 2023 Budget**	**Previous 2023 Guidance (March 3, 2023)**	**% Change to Current 2023 Budget**
Average Production [2]			
Oil and NGLs (bbls/d)	**12,200 – 13,400**	11,700 – 12,900	4
Gas (mmcf/d)	**118.8 – 123.6**	121.8 – 126.6	-2
Combined (BOE/d)	**32,000 – 34,000**	32,000 – 34,000	-
Forecasted Average Commodity Prices			
WTI oil price (US$/bbl)	**78.00**	78.00	-
Canadian Light Sweet ($/bbl)	**101.65**	99.73	2
NYMEX natural gas price (US$/MMBtu)	**2.95**	3.39	-13
AECO natural gas price ($/GJ)	**2.69**	2.94	-9
Average Exchange Rate (US$/CA$)	**0.7393**	0.7513	-2
Capital Expenditures			
Drilling & completions	**195.0**	195.0	-
Equipment, Facilities & Pipeline Infrastructure	**70.0**	70.0	-
Land, Seismic & Asset Acquisitions, net of Property Dispositions	**20.0**	20.0	-
Capital Expenditures, net of A&D [1]	**285.0**	285.0	-
Petroleum and natural gas sales	**538.6**	530.1	2
Adjusted funds from operations [1]	**285.0**	285.0	-
Per common share, diluted [1]	**1.44**	1.44	-
Net debt (surplus) [1]	**14.8**	14.8	-
Weighted average common shares outstanding (millions) [1]	**192.3**	192.3	-

(1) Refer to advisories regarding "Non-GAAP and Other Financial Measures".

(2) Percent change for production is calculated on the mid-point of each production range

Forecasted average production remains at 32,000 to 34,000 BOE per day, however Kelt is forecasting a slightly higher oil/NGLs weighing of 38-39% from the previous guidance of 37-38%. The increase in the forecasted oil/NGLs weighing is a result of the Company adjusting its 2023 drilling capital to higher liquids weighed wells due to the decline in benchmark natural gas prices.

WTI crude oil prices are forecasted to average US$78.00 per barrel, unchanged from the Company's previous guidance. Forecasted NYMEX natural gas prices have been revised downward by 13% to average US$2.95 per MMBtu, and the average US$/CA$ exchange rate was revised down to 0.7393 from 0.7513 in the previous guidance. After giving effect to the changes in commodity price assumptions, average exchange rate, and higher oil/NGLs weighing, adjusted funds from operations for 2023 remained at $285.0 million, consistent with the previous guidance.

Capital expenditures, net of A&D is estimated at $285.0 million for 2023, and net debt at December 31, 2023 is estimated at $14.8 million, both of which are consistent with the previous guidance.

SIGNIFICANT JUDGMENTS AND ESTIMATES

The timely preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ materially from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are reviewed and for any future years affected. Significant judgments, estimates and assumptions made by management in these financial statements are outlined in note 2 of the December 31, 2022 consolidated annual financial statements.

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures as defined in National Instrument 52-109 of the Canadian Securities Administrators, to provide reasonable assurance that: (i) material information relating to the Company is made known to the CEO and the CFO by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The CEO and the CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting as defined in National Instrument 52-109 of the Canadian Securities Administrators, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There were no changes to the Company's internal controls over financial reporting during the interim period from January 1, 2023 to March 31, 2023 that have materially affected, or are reasonably likely to materially affect the Company's internal controls over financial reporting.

Due to its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation relating to the effectiveness in future periods are subject to the risk that controls may become inadequate as a result of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

NON-GAAP AND OTHER FINANCIAL MEASURES

This MD&A contains certain non-GAAP financial measures and other specified financial measures, as described below, which do not have standardized meanings prescribed by GAAP and do not have standardized meanings under the applicable securities legislation. As these non-GAAP, and other specified financial 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.

NON-GAAP FINANICAL MEASURES

P&NG sales before marketing revenue and P&NG sales after cost of purchases

Throughout this MD&A, reference is made to "P&NG sales", "P&NG sales before marketing revenue", and "P&NG sales after cost of purchases". P&NG sales is as reported in the consolidated financial statements in accordance with GAAP and is before realized gains or losses on financial instruments. P&NG sales before marketing revenue includes P&NG sales (in accordance with GAAP) prior to third party revenue related to the Company's oil blending and third-party natural gas sales. P&NG sales after cost of purchases includes P&NG sales (in accordance with GAAP), net of the cost of third-party volumes purchases. P&NG sales before marketing revenue, and P&NG sales after cost of purchases are used by management to assess the Company's revenue from its core operations, which the Company believes may be a better indicator of historical and future performance.

See the “Petroleum and Natural Gas Sales” section of this MD&A which provides a reconciliation of P&NG sales before marketing revenue, and “P&NG sales after cost of purchases to P&NG sales.

Net realized price

Net realized price is a non-GAAP measure and is calculated by dividing the Company’s P&NG sales after cost of purchases by the Company’s production and reflects Kelt’s realized selling prices plus the net benefit of oil blending and third-party natural gas sales. In addition to using its own production, the Company may purchase butane and crude oil from third parties for use in its blending operations, with the objective of selling the blended oil product at a premium. Marketing revenue from the sale of third-party volumes is included in P&NG sales as reported in the Consolidated Statement of Net Income and Comprehensive Income in accordance with GAAP. Given the Company’s per unit operating statistics disclosed throughout this MD&A are calculated based on Kelt’s production volumes, and excludes the sale of third party marketing volumes, management believes that disclosing its net realized prices based on P&NG sales after cost of purchases is more appropriate and useful, because the cost of third-party volumes purchased to generate the incremental marketing revenue has been deducted. Net realized prices referenced throughout this MD&A are before financial instruments, except as otherwise indicated as being after financial instruments.

See the “Petroleum and Natural Gas Sales” section of this MD&A which provides a reconciliation of the net realized price to P&NG sales, which is a GAAP measure.

Operating netback

Operating netback is a non-GAAP measure calculated by deducting royalties, production expenses and transportation expenses from petroleum and natural gas sales, net of the cost of purchases and after realized gains or losses on associated financial instruments. The Company also presents operating netbacks on a per BOE basis which allows management to better analyze performance against prior periods, on a comparable basis, and is a key industry performance measure of operational efficiency.

See the “Adjusted Funds from Operations” section of this MD&A which provides a reconciliation of the operating netback from P&NG sales, which is a GAAP measure.

Capital expenditures

“Capital expenditures, before A&D” and “Capital expenditures, net of A&D” are measures the Company uses to monitor its investment in exploration and evaluation, investment in property plant and equipment, and net investment in acquisition and disposition activities. The most directly comparable GAAP measure is “Cash used in investing activities”, and is calculated as follows:

	Three months ended March 31	
(CA$ thousands, except as otherwise indicated)	**2023**	2022
Cash used in investing activities	**46,081**	67,759
Change in non-cash investing working capital	**30,548**	15,934
Capital expenditures, net of A&D	**76,629**	83,693
Property acquisitions	**52**	(2)
Property dispositions	**-**	41
Capital expenditures, before A&D	**76,681**	83,732

CAPITAL MANAGEMENT MEASURES

Adjusted funds from operations and annualized quarterly adjusted funds from operations

Management considers adjusted funds from operations and annualized quarterly adjusted funds from operations key capital management measures as it demonstrates the Company’s ability to meet its financial obligations and cash flow available to fund its capital program. Adjusted funds from operations and annualized quarterly adjusted funds from operations are not standardized measures and therefore may not be comparable with the calculation of similar measures by other entities.

Adjusted funds from operations and annualized quarterly adjusted funds from operations is calculated as follows:

(CA$ thousands, except as otherwise indicated)	**Three months ended March 31, 2023**	Three months ended December 31, 2022	Three months ended March 31, 2022
Cash provided by operating activities	**100,160**	63,742	65,553
Change in non-cash working capital	**(8,827)**	28,742	6,738
Funds from operations	**91,333**	92,484	72,291
Settlement of decommissioning obligations	**667**	367	1,878
Adjusted funds from operations	**92,000**	92,851	74,169
Annualized quarterly adjusted funds from operations	**368,000**	371,404	296,676

Net debt (surplus) and net debt (surplus) to annualized quarterly adjusted funds from operations ratio

Management considers net debt (surplus) and a net debt (surplus) to annualized quarterly adjusted funds from operations ratio as key capital management measures to assess the Company's liquidity at a point in time and to monitor its capital structure and short-term financing requirements. The "net debt (surplus) to annualized quarterly adjusted funds from operations ratio" is also indicative of the "net debt to cash flow ratio" calculation used to determine the applicable margin for a quarter under the Company's Credit Facility agreement (though the calculation may not always be a precise match, it is representative).

"Net debt (surplus)" is equal to bank debt, accounts payable and accrued liabilities, net of cash and cash equivalents, accounts receivables and accrued sales and prepaid expenses and deposits. The Company believes that using a "Net debt (surplus)" non-GAAP measure, which excludes non-cash derivative financial instruments, non-cash lease liabilities, and non-cash decommissioning obligations, provides investors with more useful information to understand the Company's cash liquidity risk.

See the "Capital Resources and Liquidity" section of this MD&A for calculation of the Net debt and net debt to annualized quarterly adjusted funds from operations ratio.

SUPPLEMENTARY FINANICAL MEASURES

"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.

P&NG sales, cost of purchases, realized gain (loss) on financial instruments, royalties, revenue after royalties and financial instruments, production expenses, transportation expenses, financing expenses, G&A expenses, realized gain (loss) on financial instruments, gain (loss) on derivative financial instruments, realized loss (gain) on foreign exchange, other income/expense, stock option expense, expiry of mineral leases, depletion and depreciation, impairment (reversal) on a $/BOE basis is calculated by dividing the amounts by the Company's total production over the period.

Adjusted funds from operations per share (basic and diluted), and net income and comprehensive income per share (basic and diluted) is calculated by dividing the amounts by the basic weighted average common shares outstanding.

BUSINESS RISKS

The business of exploration, development, production and acquisition of oil and gas reserves involves a number of uncertainties. As a result, the Company is exposed to certain business risks inherent in the oil and gas industry which may impact the Company's operations or financial results. A discussion of business risks, as well as economic and industry factors affecting the Company is included in Kelt's annual MD&A for the year ended December 31, 2022, dated March 3, 2023.

Additional information is included in Kelt's Annual Information Form dated March 3, 2023 which can be found at www.sedar.com

Kelt publishes an annual Environmental, Social, and Governance ("ESG") Report, which includes the Company's ESG practices and performance. The latest report, dated May 3, 2023 can be found on the Company's website at www.keltexploration.com. Kelt's ESG report is aligned with the standards set out in the Sustainability Accounting Standards Board, Oil and Gas – Exploration and Production Sustainability Accounting Standard.

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

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 the calendar year 2023. Readers are cautioned that this financial outlook may not be appropriate for other purposes.

Certain information with respect to Kelt contained herein, including management's assessment of future plans and operations, contains forward-looking statements. These forward-looking statements are based on assumptions and are subject to numerous risks and uncertainties, many of which are beyond Kelt's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency exchange rate fluctuations, imprecision of reserve estimates, environmental risks, competition from other explorers, stock market volatility and ability to access sufficient capital. As a result, Kelt's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur.

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.

This MD&A 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", "potentially" and similar expressions are intended to identify forward-looking information or statements. In particular, this MD&A contains forward-looking statements pertaining to the following: Kelt's expected price realizations and future commodity prices; the cost and timing of future capital expenditures and expected results; the Company's ability to continue accumulating land at a low-cost in its core operating areas and potentially monetize non-core assets; the expected timing of well completions, the expected timing of wells bring brought on-production, the expected timing of facility expenditures, the expected timing of facility start-up dates, the expected timing of production additions from capital expenditures; 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. Actual reserves may be greater than or less than the estimates provided herein.

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, 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; 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.

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.

ADDITIONAL INFORMATION

Additional information relating to Kelt, including the Company's Annual Information Form ("AIF") dated March 3, 2023 is filed on SEDAR and can be viewed on their website at www.sedar.com. Copies of the AIF can also be obtained by contacting Sadiq H. Lalani, Vice President and Chief Financial Officer at Kelt Exploration Ltd., Suite 300, 311 Sixth Avenue SW, Calgary, Alberta, Canada, T2P 3H2. Further information relating to Kelt is also available on its website at www.keltexploration.com.

ABBREVIATIONS

bbls	Barrels
mbbls	thousand barrels
bbls/d	barrels per day
BOE	barrels of oil equivalent
mBOE	thousand barrels of oil equivalent
BOE/d	barrels of oil equivalent per day
mcf	thousand cubic feet
mmcf	million cubic feet
bcf	billion cubic feet
mmcf/d	million cubic feet per day
MMBtu	million British Thermal Units
GJ	gigajoules
AECO	Alberta Energy Company “C” Meter Station of the NOVA Pipeline System
NIT	NOVA Inventory Transfer (“AB-NIT”), being the reference price at the AECO Hub
WTI	West Texas Intermediate
MSW	Mixed Sweet Blend Edmonton
NYMEX	New York Mercantile Exchange
Station 2	Spectra Energy receipt location
NGX	Natural Gas Exchange Inc. (Canada)
API	American Petroleum Institute
OECD	The Organization of Economic Co-operation and Development
OPEC	The Organization of the Petroleum Exporting Countries
MD&A	Management’s Discussion and Analysis
Q1	First quarter ended March 31st
Q2	Second quarter ended June 30th
Q3	Third quarter ended September 30th
Q4	Fourth quarter ended December 31st
YTD	Year to date
BT	Before income taxes
AT	After income taxes
1P	Proved reserves
2P	Proved plus probable reserves

CONVERSION OF UNITS

Imperial = Metric

1 acre = 0.4 hectares

2.5 acres = 1 hectare

1 bbl = 0.159 cubic metres

6.29 bbls = 1 cubic metre

1 foot = 0.3048 metres

3.281 feet = 1 metre

1 mcf = 28.2 cubic metres

0.035 mcf = 1 cubic metre

1 mile = 1.61 kilometres

0.62 miles = 1 kilometre

1 MMBtu = 1.054 GJ

0.949 MMBtu = 1 GJ

Natural gas is equated to oil on the basis of 6 mcf = 1 BOE

Sulphur is equated to gas on the basis of 1LT = 10 mcf (1 BOE = 0.6 LT)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Geri L. Greenall [2, 3, 6, 7]
Independent

William C. Guinan [1, 5]
Independent

Michael R. Shea [3, 4, 6]
Independent

Neil G. Sinclair [2, 4, 5, 6]
Independent

Janet E. Vellutini [2, 3, 4]
Independent

David J. Wilson [5]
President & Chief Executive Officer,
Kelt Exploration Ltd..

1 chairman of the board
2 member of the audit committee
3 member of the reserves committee
4 member of the compensation committee
5 member of the health, safety and environment committee
6 member of the nominating committee
7 lead director

HEAD OFFICE

Suite 300, East Tower, 311 Sixth Avenue S.W.
Calgary, Alberta T2P 3H2

Phone: 403.294.0154
Fax: 403.291.0155
www.keltexploration.com

REGISTRAR AND TRANSFER AGENT

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1230-300 5th Avenue S.W.
Calgary, Alberta T2P 3C4

LEGAL COUNSEL

Borden Ladner Gervais LLP
Centennial Place, East Tower,
Suite 1900, 520 Fourth Avenue S.W.
Calgary, Alberta T2P 0R3

OFFICERS

David J. Wilson
President & Chief Executive Officer

Sadiq H. Lalani
Vice President & Chief Financial Officer

Douglas J. Errico
Senior Vice President, Land and Corporate Development

Alan G. Franks
Vice President, Production

Bruce D. Gigg
Vice President, Engineering

David A. Gillis
Vice President, Finance

Douglas O. MacArthur
Vice President, Operations

Patrick W.G. Miles
Vice President, Exploration

Louise K. Lee
Corporate Secretary

AUDITORS

PricewaterhouseCoopers LLP
Suite 3100, 111 Fifth Avenue S.W.
Calgary, Alberta T2P 5L3

EVALUATION ENGINEERS

Sproule Associates Limited
Suite 900, 140 Fourth Avenue S.W.
Calgary, Alberta T2P 3N3

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Common shares “KEL”

kelt exploration

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311 SIXTH AVENUE SOUTH WEST
CALGARY, ALBERTA T2P 3H2