WESTPEAK RESEARCH ASSOCIATION

Kelt Exploration Ltd (TSX: KEL)

Natural Resources – Oil & Gas

Gassing Up for Gains

January 10, 2025

Analyst: Evan Calbick, BCom. '26
contact@westpeakresearch.com

Equity Research	Canada
Price Target	**CAD$ 12.14**
Rating	Buy
Share Price (Jan. 3 Close)	CAD$ 7.10
Total Return	71.0%

Key Statistics	
52 Week H/L	$7.20/$5.01
Market Capitalization	$1.48B
Average Daily Trading Volume	$308,823
Net Debt	$70.8M
Enterprise Value	$1.55B
Net Debt/EBITDA	0.35x
Diluted Shares Outstanding	208.4M
Free Float	55.6%
Dividend Yield	N/A

Analyst Forecast	2024E	2025E	2026E
Revenue	$487M	$554M	$622M
EBITDA	$263M	$297M	$393M
Net Income	$82M	$91M	$179M
EPS	$0.40	$0.44	$0.86
EV/DACF	6.08x	3.50x	2.80x
EV/Reserves	0.20x	0.21x	0.22x

1-Year Price Performance

Kelt Exploration Ltd ("Kelt", "Kelt Exploration", or "the Company") is a Canadian oil and gas company specializing in the exploration, development, and production of crude oil, natural gas, and natural gas liquids. The company operates primarily in resource-rich regions of northeastern British Columbia and west-central Alberta. Kelt produces over 30,000 boe/d, and is an intermediate gas-weighted exploration and production (E&P) company.

Industry Analysis

Kelt operates in the Canadian oil and gas industry, focusing on a gas-weighted portfolio. Natural gas accounted for 31% of Canada's energy consumption in 2022, with the market expected to grow at a CAGR of 2.43% through 2029. As a lower-emission alternative to coal and oil, natural gas is playing a critical role as a transitional fuel in the global shift toward greener energy sources. This trend enables E&P companies to capitalize on growing demand for natural gas both domestically and internationally.

Thesis

Kelt is a resilient and growth-focused company, well-positioned to navigate volatile commodity price environments. With a deep inventory life, a robust balance sheet, and an industry-leading low breakeven gas price, Kelt demonstrates strong financial stability. Its future growth is further supported by significant production gains, exceptional well results, and an increasingly valuable land base in the Montney. These factors highlight Kelt's potential to deliver substantial returns and present a high potential upside.

Valuation

We initiate a **BUY** rating on Kelt, at a price target of $12.14, yielding an implied upside of 71%. This price target was determined using a 60% weight on the Base Case Net Asset Value, a 20% weight on the EV/EBITDA multiple, and a 20% weight on the EV/DACF multiple.

Company Overview

General Overview

Founded in 2012 and headquartered in Calgary, Alberta, Kelt Exploration is a Canadian oil and gas company specializing in the exploration, development, and production of crude oil, natural gas, and natural gas liquids. The company operates primarily in resource-rich regions of northeastern British Columbia and west-central Alberta, targeting prolific formations such as the Montney and Charlie Lake plays. Kelt was formed as a spin-out company from ExxonMobil's acquisition of Celtic Exploration, a $2.6 billion CAD transaction, which provided the foundation for its strategic focus on low-cost land and high-return investments. Kelt emphasizes a full-cycle exploration and development strategy aimed at long-term production growth, supported by a disciplined approach to operational efficiency and cost management. With its low operating costs and premium land holdings, the company is well-positioned to capitalize on the growing demand for natural gas liquids and crude oil, both domestically and internationally. Despite its strong operational metrics, Kelt faces challenges inherent to the energy sector, including fluctuating commodity prices and regulatory uncertainties. However, its commitment to long-term growth reflects its prioritization of reinvestment and value creation for shareholders

Geographical Breakdown

Kelt Exploration's assets are comprised of three core operating divisions in the Montney and Charlie Lake regions, areas rich in both natural gas and liquids. Within these areas, Kelt's mission is to create sustainable and profitable long-term growth, emphasizing efficient production practices and exploration potential. The strategy of the business often involves acquiring, developing, and optimizing oil and gas assets, leveraging its land position while maintaining low costs per BOE.

Wembley/Pipestone

In the Wembley/Pipestone region, Kelt's operations target Montney light oil and condensate-rich gas within high-quality, liquids-rich reservoirs, aligning with the company's strategy to access resource-rich formations. This region accounts for 35% of Kelt's total BOE production.

Pouce Coupe/Progress/Spirit River

This area yields Montney light oil, Montney and Doig gas, and Charlie Lake light oil, marking it as a multi-product hub for Kelt's operations. This area of Kelt's operations makes up 50% of the company's total BOE production.

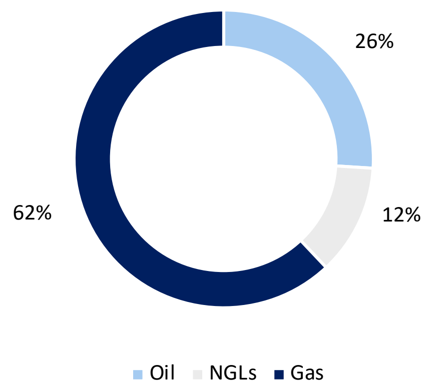
Oak/Flatrock

In this region of British Columbia, Kelt focuses on producing Montney light oil and condensate-rich gas, leveraging the area's resources to contribute to its diversified portfolio. This region accounts for the remaining 15% of Kelt's total BOE production.

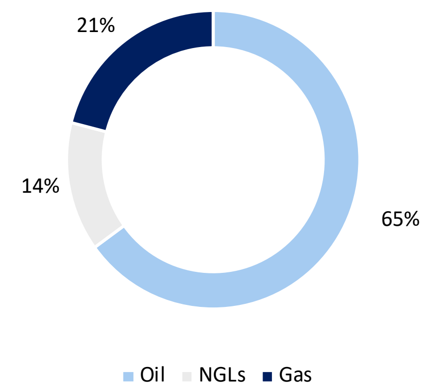
Production Breakdown

Despite accounting for over 60% of Kelt's production mix, natural gas contributes only 21% of the company's overall revenue.

Production Mix



Revenue Breakdown



Current Strategy

Kelt is focused on maximizing production from its high-quality asset base in the Montney and Charlie Lake regions, with an emphasis on strong netbacks and liquids-rich gas production. The company aims to leverage its land holdings to drive long-term growth while maintaining financial discipline and operational efficiency to weather commodity price volatility.

Driven by a management team with a track record of value creation, Kelt prioritizes shareholder value growth, and has shown this through its active mergers and acquisitions efforts such as its acquisition of Capio Exploration Ltd. in 2014, and its sale of certain Montney assets to ConocoPhillips in 2020.

Industry Analysis

General Industry Overview

Kelt Exploration operates within the Canadian oil and gas industry, specifically as an exploration and production company with a gas-weighted portfolio. As of 2022, natural gas accounted for 31% of Canada's energy consumption, and the market itself has an expected compound annual growth rate of 2.43% in Canada through 2029. With increasing global energy demand, natural gas is viewed as a transitional fuel due to its lower carbon emissions when compared to coal and oil. The shift towards greener energy sources has elevated natural gas to a key role, especially in countries looking to reduce GHG emissions. This has benefited gas-weighted companies like Kelt, positioning them to meet growing demand for both domestic and international gas supply.

Evan Calbick | contact@westpeakresearch.com

Montney Formation

The Montney Formation is a geological formation located in western Canada, spanning approximately 130,000km^2 across British Columbia and Alberta. It is a major source of natural gas and oil, particularly known for its shale gas and tight oil resources; the Montney is forecasted to provide between 58% and 63% of Canada's gas production through 2050. As estimates show, the Montney contains two-thirds of Canada's marketable gas resources, making it the largest remaining supply of low-cost gas with the ability to meet future demand. Drilling techniques in the Montney have advanced significantly, with hydraulic fracturing and horizontal drilling allowing for efficient extraction from low-permeability formations.

While much of the Montney Formation remains to be developed, the cheapest gas has been extracted, implying that higher drilling rates and more efficient production will be required in the future to prevent netbacks from increasing. As Canada's primary source of low-cost, marketable gas, the Montney Formation is essential for the country's long-term energy strategy. Continued advancement in drilling technologies and efficient extraction methods will be critical to unlocking its full potential, ensuring that the Montney remains an instrumental source of natural gas.

Natural Gas Industry Trends

LNG Canada, a joint venture between Shell, PETRONAS, PetroChina, Mitsubishi Corporation, and KOGAS will have a significant impact on the Canadian oil and gas market after it comes online midway through 2025. With direct access to the LNG export facility in Kitimat, British Columbia, LNG Canada will export natural gas to foreign markets, reducing their GHG emissions. With this project coming online, many others are to follow. These include Cedar LNG in Kitimat, Woodfibre LNG in Squamish, Kitimat LNG, and various others that are projected to amount to a total of 47.8 MMtpa of export capacity upon completion by ~2030. With LNG Canada operational, AECO pricing will be relieved, and trend towards its normal average as opposed to its slump during September 2024.

AECO hit a two-year low in September due to excess supply caused predominantly by producers who increased drilling in anticipation of demand from LNG Canada. Once LNG Canada is operational, it is forecasted to export up to 14 million tonnes of LNG per year, allowing companies such as Kelt to benefit from higher AECO pricing.

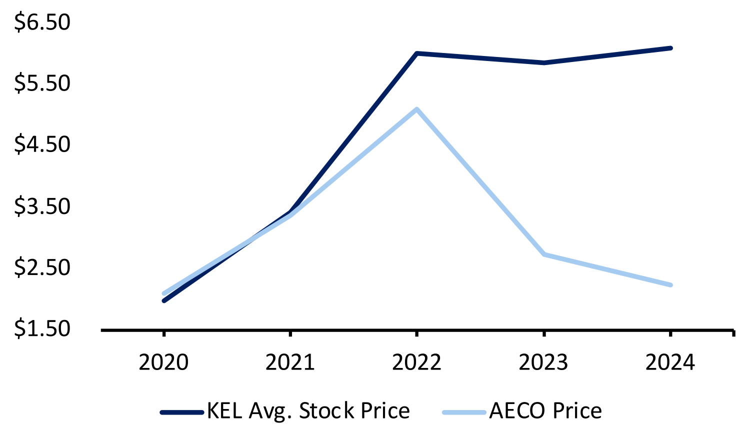
Investment Theses

Financial Resiliency Despite Bearish Gas Pricing

Sustained Economic Profit

Kelt has demonstrated exceptional financial resilience, maintaining profitability despite significant headwinds in natural gas pricing. As a gas-weighted producer, over 60% of Kelt's production volume comes from natural gas. However, gas contributes only 21% of its revenue, reflecting the company's strategic focus on higher-margin liquids, such as oil and NGLs, which have exhibited higher prices compared to natural gas in recent years. This revenue diversification has allowed Kelt to offset the impacts of volatile gas prices effectively. In 2023, Kelt experienced a sharp decline in the net realized price of natural gas, which halved from 2022 levels (as measured in $/Mcf). Despite this, the company remained profitable, a testament to its operational tenacity and adaptability.

By consistently keeping production costs low through efficient operations, Kelt has not only shielded itself from the full impact of gas price fluctuations but has also strengthened its position in the industry. This disciplined cost management allows the company to generate sustained economic profit, regardless of broader market challenges. In doing so, Kelt underscores its long-term potential as a resilient player in the oil and gas industry, capable of thriving even in bearish commodity pricing environments.



Resilient Balance Sheet

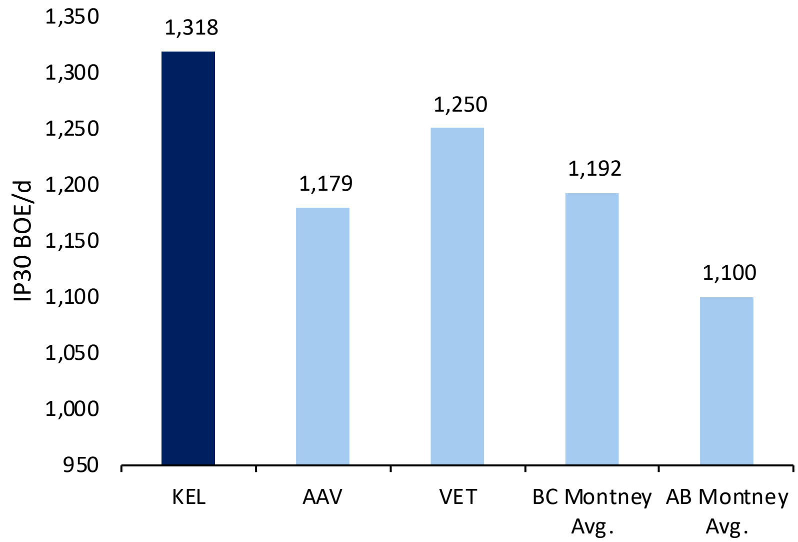
Kelt's financial strength is underpinned by its resilient balance sheet, positioning the company to thrive across commodity price cycles. With negligible long-term debt, Kelt is well-insulated from the pressures of sustained low commodity pricing and adverse economic conditions. This financial structure both minimizes the risk of insolvency and enables the company to maintain financial flexibility, ensuring it can capitalize on strategic opportunities.

At a current Net Debt/EBITDA ratio of approximately 0.35x, Kelt stands out as a financially disciplined player in the intermediate E&P space. This low leverage allows the company to continue allocating capital toward growth initiatives without compromising its financial stability. Additionally, Kelt's canny debt management reduces interest expenses, enabling it to reinvest a larger share of cash flows into its core operations and shareholder value creation.

In a capital-intensive industry, Kelt's balance sheet provides a distinct competitive advantage. Its ability to maintain low debt levels while pursuing high-growth initiatives ensures that the company can adapt to changing market conditions and maintain its operational momentum, even during periods of market volatility. By maintaining this financial flexibility, Kelt is well-positioned to sustain value for investors and capture opportunities that further enhance its competitive positioning in the Montney.

Low Breakeven Gas Price

Kelt's operational efficiency is highlighted by its exceptionally low breakeven natural gas price of $0.65/Mcf for 2024 maintenance capital expenditures. This metric showcases Kelt's ability to operate profitably and sustain its current operations with minimal reliance on natural gas commodity pricing, even in bearish market conditions.



In comparison, peers which have a much higher reliance on natural gas face significantly higher breakeven prices. This reliance makes these peers more vulnerable to low gas prices and limits their ability to allocate capital toward growth initiatives.

Kelt's disciplined cost structure and focus on higher-margin liquids production enable the company to remain profitable while maintaining flexibility to pursue long-term growth. This resilience positions Kelt as a standout performer in volatile commodity markets, and allows them to sustain current capital expenditures under bearish gas pricing. In addition to Kelt's low breakeven costs, the company has reported industry-leading IP30 rates, underscoring the strength and productivity of its wells.

Established for Long-Term Growth

Significant Production Growth

With Kelt's active drilling program and expanded gas processing capacity, the company expects to double its 2023 production levels by the end of 2026. Kelt has successfully completed its new wells in the Wembley/Pipestone operating area, and expects the CSV Albright Gas Plant to begin operations in Q1 2025. With an expected production uplift of 9,000-12,000 BOE/d from the Albright plant, Kelt is poised for a high-growth future. Along with this, three wells in the Pouce Coupe West were recently completed, and will be connected to the Albright plant through a pipeline currently nearing completion.

In 2024, Kelt demonstrated consistent success in its drilling programs, showcasing its ability to deliver strong well results across its core operating areas. In the Oak/Flatrock region, Kelt completed production from its 8-well drilling program, reinforcing its operational efficiency. In the Pouce Coupe/Progress/Spirit River region, four Charlie Lake wells at Spirit River are now producing, with additional wells in Pouce Coupe North and West poised to come online by year-end, supported by infrastructure developments like the CSV Albright pipeline. Finally, in the Wembley/Pipestone region, Kelt strategically prioritized six new wells, optimizing gas processing capacity to enhance production. Further improving its productivity, Kelt plans on installing electronic submersible pumps on its two new Montney D1 wells. These results underscore Kelt's robust execution and capability to maximize well productivity.

Strong Well Results

Kelt has 531 net sections in the Montney and 137 in Charlie Lake, amounting to over 580,000 net acres. The Montney and Charlie Lake regions are notorious for their prolific and resource-rich assets. With high-quality reservoirs, these plays enable efficient extraction at lower costs compared to less productive basins. In 2023, out of the Top 100 wells by BOE production in Canada, 53% were wells within the Montney, highlighting its efficiency.

Along with this, Kelt's initial production rates consistently exceed type curve expectations, with recent wells achieving IP30 rates of 1,374 BOE/d, 1,291 BOE/d, and 1,290 BOE/d. In comparison, other Montney operators, such as Advantage Energy at Valhalla, reported IP30 rates of 1,179 BOE/d, while Vermilion Energy produced an average IP30 rate of 1,250 BOE/d.

Increasingly Valuable Land

M&A activity in the Montney region has remained robust, emphasizing the growing value of strategic land positions. Kelt is uniquely positioned to capitalize on this, as it holds a substantial undeveloped land base that could be monetized if additional capital is needed. Recent deals highlight the sizable premiums being paid for quality assets in the region.

Date	Acquiror	Target	Price Paid ($CADmm)	Net Sections	$/section ($CADmm)
14-Nov-24	Ovintiv	Paramount Resources	$3,325	900	$3.7
12-Aug-24	Tourmaline Oil	Crew Energy	$1,400	341	$4.1
28-Mar-23	Crescent Point Energy	Spartan Delta (Montney Assets)	$1,700	600	$2.8
6-Nov-23	Crescent Point Energy	Hammerhead Energy	$2,550	453	$5.6

Kelt's Wembley asset represents its largest holding in terms of 2P BOE reserves. This area is geographically close to Karr, where Ovintiv recently acquired Paramount's land at a significant premium, suggesting that Kelt's Wembley position could command a similarly high valuation in the event of a sale. Kelt's extensive land base across the Montney provides the company with dual benefits; a platform for sustained long-term production growth and the ability to divest non-core assets to unlock additional value. Increasingly valuable land provides Kelt with not only a competitive advantage in the Montney but also a strategic hedge against market volatility.

Valuation

Comparable Company Analysis

For the comparable company analysis, a set of 5 other companies were selected based on their production splits and market capitalizations. Market capitalizations between the companies selected ranged from roughly $640 million to $3.4 billion, while Kelt has a market cap of approximately $1.36 billion. This specific peer group, using EV/EBITDA and EV/DACF resulted in an implied share price of $7.83 and $8.77 respectively. The 75th percentile multiples were used due to Kelt's high growth prospects and operational efficiency. The implied upside from the comparable companies indicates that Kelt is undervalued in relation to its peer group, providing a compelling investment opportunity.

Birchcliff Energy Ltd. (TSX: BIR)

Birchcliff Energy Ltd. is an intermediate oil and gas company primarily focused on the exploration and development of natural gas and liquids-rich assets in the Montney and Doig formations in northwestern Alberta. The company's main production comes from its operations near Grande Prairie, Alberta, with a significant portion of its output being natural gas.

Peyto Exploration & Development (TSX: PEY)

Peyto Exploration & Development is a natural gas producer with assets primarily located in the Alberta Deep Basin. The company is known for its low-cost production and efficient operations, focusing on unconventional gas and natural gas liquids-rich opportunities across its extensive land base.

Nuvista Energy Ltd (TSX: NVA)

Nuvista Energy Ltd. is an oil and gas exploration and production company with core operations in the Wapiti Montney region of Alberta. The company focuses on the development of condensate-rich natural gas and oil assets, leveraging its significant drilling inventory to drive growth.

Advantage Energy Ltd (TSX: AAV)

Advantage Energy Ltd. is a gas-weighted producer with its primary operations in the Glacier, Valhalla, and Wembley Montney areas in Alberta. The company is focused on the production of natural gas and associated liquids, with a strong emphasis on reducing emissions and increasing sustainability in its operations.

Spartan Delta Corp (TSX: SDE)

Spartan Delta Corp. is an exploration and production company with a diversified portfolio in the Montney, Deep Basin, and Duvernay formations of Alberta and British Columbia. The company has a growth-oriented strategy, focusing on expanding production through acquisitions and organic development.

Net Asset Value

The Net Asset Value model yielded a base case NAV/share of $14.70, indicating a 117% premium, while the bull and bear cases indicated premiums of 182% and 52% respectively.

Reserves Assumptions

The model was built using Kelt's gross 2P reserves, which are 74,745Mbbl of oil, 74,425Mbbl of NGLs, and 1,276,593 MMcf of natural gas, resulting in total Mboe of 361,936.

Commodity Price Assumptions

Commodity prices were retrieved from various sources including the CME Group, S&P Capital IQ, and Bloomberg. The bull case reflects a 20% premium to base commodity price forecasts, and the bear case reflects a 20% discount to base commodity price forecasts. This approach was employed to capture a range of potential outcomes and assess the sensitivity of Kelt's NAV to commodity price volatility.

Production Schedule Assumptions

The base decline rate reflects an average of industry sources reporting typical Montney decline rates. For crude oil and NGLs, a 2% increase was applied to the base rate to account for their slightly faster decline profiles, while natural gas production was adjusted downward by 4% to reflect its slower decline. Additionally, Kelt's high-growth trajectory is emphasized in the early years of the production schedule, with production stabilizing over time to capture the company's transition from growth to stable operations.

Catalysts

Rising Data Centre Demand

Increasing global demand for data centers, driven by the exponential growth of cloud computing, AI technologies, and digital infrastructure presents a significant opportunity for natural gas producers like Kelt. Many data centres are using natural gas-powered turbines to generate electricity on-site, reducing their dependence on the grid. Natural gas is expected to cover roughly 60% of incremental data centre power demand. As the push for cleaner energy intensifies, the demand for reliable and cost-effective natural gas to power data center operations is likely to grow, supporting higher natural gas prices and providing a favourable market environment for producers like Kelt.

Global LNG Expansion and Export Growth

Continued expansion of global LNG infrastructure is another key catalyst. As countries in Asia and Europe aim to diversify their energy sources and reduce reliance on coal, demand for LNG is poised to increase. Canadian LNG projects, such as the aforementioned LNG Canada, have a competitive advantage over US competitors due to their ability to utilize clean hydroelectric power, resulting in 35% fewer greenhouse gas emissions compared to other global facilities. Additionally, Canada's cooler climate reduces the energy required to liquify LNG, lowering costs. LNG Canada's Kitimat facility, for example, can liquefy gas for C$1/ton of LNG, compared to an average of C$1.35/ton at US Gulf Coast projects. These operational efficiencies and environmental benefits position Canadian LNG as a competitive and sustainable alternative in the global market, which could drive higher demand for Canadian natural gas, benefiting producers like Kelt.

Risks

Commodity Price Volatility

Kelt's financial performance and future growth prospects are heavily influenced by fluctuations in oil and natural gas prices. As a gas-weighted E&P, the company is exposed to the inherent volatility of commodity markets, driven by factors such as global supply and demand imbalances, geopolitical tensions, regulatory changes, and macroeconomic conditions. While Kelt employs hedging strategies to mitigate the impact of price volatility, these financial instruments are limited in their ability to fully protect against extreme market fluctuations. The company's hedging positions may not align perfectly market prices, resulting in potential losses during periods of favourable pricing. Further, Kelt faces significant exposure to Canadian natural gas pricing, which is closely tied to the performance of LNG Canada. Any instability or reduction in global demand for Canadian LNG exports could suppress AECO pricing, creating an unfavorable outcome for the company. Prolonged periods of low commodity prices could constrain Kelt's cash flows, reduce its ability to fund exploration and development ventures, ultimately leading to an adverse effect on long-term growth and valuation.

Drilling Program Results

The success of Kelt's drilling program is critical to its reserve replacement and production growth strategy. However, drilling for oil and gas involves numerous risks; the cost of drilling, completing, and operating wells is substantial and may increase if operations are delayed or adversely affected by unexpected drilling conditions, equipment failures, or accidents. Furthermore, the production decline of new wells, unforeseen operational issues, or geological factors may differ significantly from initial estimates, potentially leading to lower-than-expected revenues, posing a negative impact on the company's return on investment in these projects, and thus a negative effect on the company's stock price.

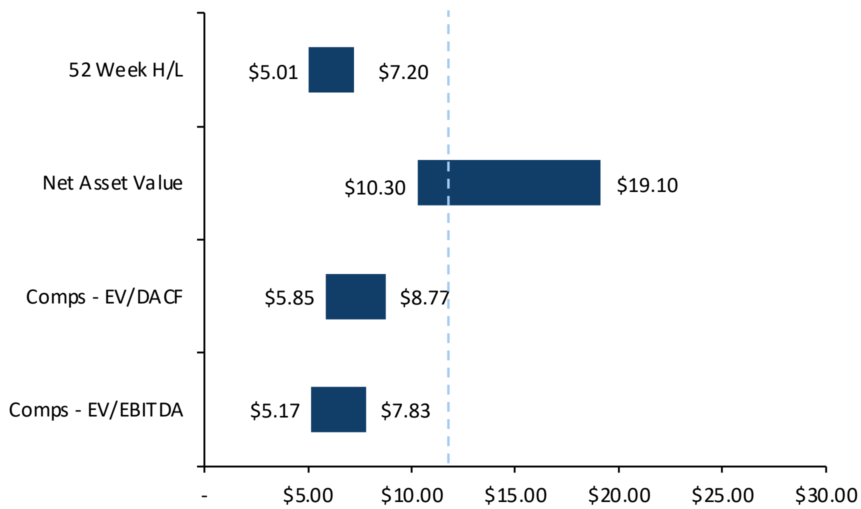
Recommendation

Buy

We recommend a buy for Kelt Exploration at $12.14, yielding an implied upside of 71%. Due to its strong financial resiliency highlighted by sustained profit, a resilient balance sheet, and a low breakeven gas price, Kelt is well-positioned to weather various commodity price environments. Furthermore, Kelt is poised for future growth, demonstrated by its significant production increases, strong well results, and increasingly valuable land, all of which serve as compelling catalysts for share price appreciation.

Kelt's implied share price was retrieved using a 60% weight on the Base Case Net Asset Value, a 20% weight on the EV/EBITDA multiple, and a 20% weight on the EV/DACF multiple. The higher weighting was given to the NAV as it captures the true intrinsic value of the company, whereas the multiples rely on comparable companies within the industry. Kelt is well positioned for growth, and has a strong competitive advantage within the intermediate gas-weighted E&P sector

Kelt Exploration (TSX: KEL) Implied Share Price ($12.14)



Appendix 1: NAV Output

Bear Case

NPV of reserves (Enterprise Value)	**$2,124,060,915**
Undeveloped Land	**$109,186,893**
Other assets	
Cash & Investments	**$14,340,000**
Working Capital	**($15,093,000)**
Total Assets	**$2,232,494,808**
(-) Debt	**($85,171,000)**
NAV	**$2,147,323,808**
Shares outstanding	**208,400,000**
NAV/share	**$10.30**

Current Share Price	**7.10**
Premium	**45.12%**

Base Case

NPV of reserves (Enterprise Value)	$3,041,083,450
Undeveloped Land	$109,186,893
Other assets	
Cash & Investments	$14,340,000
Working Capital	($15,093,000)
Total Assets	$3,149,517,343
(-) Debt	($85,171,000)
NAV	$3,064,346,343
Shares outstanding	208,400,000
NAV/share	$14.70

Current Share Price	7.10
Premium	107.10%

Bull Case

NPV of reserves (Enterprise Value)	$3,958,105,985
Undeveloped Land	$109,186,893
Other assets	
Cash & Investments	$14,340,000
Working Capital	($15,093,000)
Total Assets	$4,066,539,878
(-) Debt	($85,171,000)
NAV	$3,981,368,878
Shares outstanding	208,400,000
NAV/share	$19.10

Current Share Price	7.10
Premium	169.08%

Evan Calbick | contact@westpeakresearch.com

Appendix 2: Commodity Price Deck

Bear Case

Commodity Prices	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Oil (US$/B)								
Western Texas Intermediate	$77.58	$61.05	$53.54	$51.98	$50.99	$50.42	$50.01	$49.72
Western Canada Select	$58.97	$49.20	$51.20	$52.00	$52.62	$53.26	$53.89	$54.54
Brent	$82.49	$64.68	$56.78	$55.34	$54.67	$54.40	$54.27	$54.21
Gas (US$/Mcf)								
Henry Hub	$2.54	$2.50	$2.66	$3.03	$3.04	$2.99	$2.88	$2.79
AECO	$1.99	$1.33	$1.51	$1.81	$1.86	$1.92	$1.98	$2.04
TTF	$10.85	$10.16	$9.35	$7.60	$6.26	$5.50	$5.30	$5.47
JKM	$13.77	$10.83	$11.51	$9.67	$8.05	$7.08	$6.11	$5.11
NGLs (US$/B)								
Condensate (Edmonton)	$73.95	$62.60	$56.53	$51.55	$53.07	$54.69	$56.28	$57.80
Butane (Edmonton)	$36.02	$29.81	$26.90	$24.57	$25.30	$26.06	$26.82	$27.56
Ethane (Edmonton)	$5.43	$2.25	$4.90	$6.33	$6.54	$6.72	$6.93	$7.10
Propane (Edmonton)	$23.22	$23.86	$21.54	$19.63	$20.23	$20.85	$21.45	$22.03
Exchange Rates								
CAD-USD	0.74	0.74	0.72	0.73	0.73	0.74	0.75	0.75
CAD-GBP	0.60	0.55	0.57	0.57	0.58	0.59	0.59	0.59
CAD-EUR	0.69	0.66	0.68	0.67	0.66	0.66	0.65	0.64

Base Case

Commodity Prices	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Oil (US$/B)								
Western Texas Intermediate	$77.58	$76.31	$66.93	$64.97	$63.74	$63.02	$62.51	$62.15
Western Canada Select	$58.97	$61.50	$64.00	$65.00	$65.78	$66.57	$67.36	$68.17
Brent	$82.49	$80.85	$70.97	$69.17	$68.34	$68.00	$67.83	$67.76
Gas (US$/Mcf)								
Henry Hub	$2.54	$3.13	$3.32	$3.79	$3.80	$3.74	$3.60	$3.49
AECO	$1.99	$1.66	$1.89	$2.26	$2.33	$2.40	$2.48	$2.55
TTF	$10.85	$12.70	$11.69	$9.50	$7.82	$6.87	$6.63	$6.84
JKM	$13.77	$13.54	$14.39	$12.09	$10.06	$8.85	$7.63	$6.39
NGLs (US$/B)								
Condensate (Edmonton)	$73.95	$78.26	$70.66	$64.43	$66.34	$68.36	$70.34	$72.25
Butane (Edmonton)	$36.02	$37.26	$33.63	$30.71	$31.63	$32.57	$33.53	$34.45
Ethane (Edmonton)	$5.43	$2.81	$6.13	$7.91	$8.17	$8.40	$8.66	$8.88
Propane (Edmonton)	$23.22	$29.82	$26.92	$24.54	$25.29	$26.06	$26.81	$27.53
Exchange Rates								
CAD-USD	0.74	0.74	0.72	0.73	0.73	0.74	0.75	0.75
CAD-GBP	0.60	0.55	0.57	0.57	0.58	0.59	0.59	0.59
CAD-EUR	0.69	0.66	0.68	0.67	0.66	0.66	0.65	0.64

Evan Calbick | contact@westpeakresearch.com

Bull Case

Commodity Prices	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Oil (US$/B)								
Western Texas Intermediate	$77.58	$91.57	$80.32	$77.97	$76.48	$75.62	$75.02	$74.58
Western Canada Select	$58.97	$73.80	$76.80	$78.00	$78.94	$79.88	$80.83	$81.80
Brent	$82.49	$97.01	$85.16	$83.01	$82.01	$81.60	$81.40	$81.31
Gas (US$/Mcf)								
Henry Hub	$2.54	$3.75	$3.99	$4.55	$4.56	$4.48	$4.31	$4.18
AECO	$1.99	$1.99	$2.27	$2.71	$2.79	$2.88	$2.97	$3.06
TTF	$10.85	$15.23	$14.02	$11.39	$9.39	$8.24	$7.95	$8.20
JKM	$13.77	$16.25	$17.26	$14.50	$12.07	$10.62	$9.16	$7.67
NGLs (US$/B)								
Condensate (Edmonton)	$73.95	$93.91	$84.79	$77.32	$79.60	$82.03	$84.41	$86.70
Butane (Edmonton)	$36.02	$44.71	$40.35	$36.85	$37.95	$39.09	$40.23	$41.34
Ethane (Edmonton)	$5.43	$3.37	$7.36	$9.50	$9.81	$10.08	$10.39	$10.65
Propane (Edmonton)	$23.22	$35.79	$32.31	$29.45	$30.35	$31.27	$32.17	$33.04
Exchange Rates								
CAD-USD	0.74	0.74	0.72	0.73	0.73	0.74	0.75	0.75
CAD-GBP	0.60	0.55	0.57	0.57	0.58	0.59	0.59	0.59
CAD-EUR	0.69	0.66	0.68	0.67	0.66	0.66	0.65	0.64

Appendix 3: Production Schedule

Production Schedule	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Decline Rate	*26.5%*	*26.5%*	*26.5%*	*26.5%*	*26.5%*	*26.5%*	*26.5%*	*26.5%*	*26.5%*
Declined Production	-	1,494.6	2,114.4	2,782.5	3,199.9	1,284.7	1,387.5	1,470.8	1,529.6
Added Production	-	3,833.6	4,635.4	4,357.5	(4,027.0)	1,672.6	1,701.7	1,692.8	1,760.5
Crude Oil (bbl/d)	5,640.0	7,979.0	10,500.0	12,075.0	13,282.5	14,345.1	15,205.8	15,814.0	16,446.6
Crude Oil (mbbl)	*2,058.6*	*2,912.3*	*3,832.5*	4,407.4	4,848.1	5,236.0	5,550.1	5,772.1	6,003.0
(Decline) Growth	-	41.5%	31.6%	15.0%	-59.9%	8.0%	6.0%	4.0%	4.0%
% Total	20.7%	29.3%	38.6%	44.3%	17.8%	19.2%	20.4%	21.2%	22.0%
Decline Rate	*20.5%*	*20.5%*	*20.5%*	*20.5%*	*20.5%*	*20.5%*	*20.5%*	*20.5%*	*20.5%*
Declined Production	-	3,597.1	3,848.3	4,202.5	4,832.9	5,316.2	5,741.5	6,085.9	6,329.4
Added Production	-	3,604.4	3,858.7	4,221.0	4,847.0	5,328.6	5,751.5	6,093.1	6,334.9
Natural Gas (MMcf/d)	105.3	112.6	123.0	141.5	155.6	168.0	178.1	185.3	190.8
Natural Gas (boe/d)	17,546.7	18,772.3	20,500.0	23,575.0	25,932.5	28,007.1	29,687.5	30,875.0	31,801.3
Natural Gas (mboe)	*6,404.5*	*6,851.9*	*7,482.5*	*8,604.9*	*9,465.4*	*10,222.6*	*10,835.9*	*11,269.4*	*11,607.5*
(Decline) Growth		*7%*	*9%*	*15%*	*10%*	*8%*	*6%*	*4%*	*3%*
% Total	64%	*69%*	*75%*	*87%*	*95%*	*103%*	*109%*	*113%*	*117%*
Decline Rate	*26.5%*	*26.5%*	*26.5%*	*26.5%*	*26.5%*	*26.5%*	*26.5%*	*26.5%*	*26.5%*
Declined Production	-	1,073.0	996.1	*1,126.3*	*1,295.2*	*1,424.7*	*1,538.7*	*1,631.0*	*1,696.2*
Added Production	-	783.0	1,487.1	1,763.8	1,783.9	1,854.8	1,887.1	1,877.2	1,952.3
NGLs (bbl/d)	4,049.0	3,759.0	4,250.0	4,887.5	5,376.3	5,806.4	6,154.7	6,400.9	6,657.0
NGLs (mbbl)	*1,477.9*	*1,372.0*	*1,551.3*	*1,783.9*	*1,962.3*	*2,119.3*	*2,246.5*	*2,336.3*	*2,429.8*
(Decline) Growth	-	-7.2%	13.1%	15.0%	10.0%	8.0%	6.0%	4.0%	4.0%
% Total	14.9%	13.8%	15.6%	17.9%	19.7%	21.3%	22.6%	23.5%	24.4%
Total Production (boe/d)	27,235.7	30,510.3	35,250.0	40,537.5	36,156.9	39,049.4	41,392.4	43,048.1	44,461.2
Total Production (boe)	9,941,018.3	11,136,271.7	12,866,250.0	14,796,187.5	13,197,254.8	14,253,035.2	15,108,217.3	15,712,546.0	16,228,354.0
Total Production (mboe)	9,941.0	11,136.3	12,866.3	14,796.2	16,275.8	17,577.9	18,632.5	19,377.8	20,040.3

Evan Calbick | contact@westpeakresearch.com

Appendix 4: Operating Model

Income Statement ($CAD thousands)	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Oil and Gas Revenue	$613,358	$495,580	$577,953	$657,968	$730,965	$784,845	$828,296	$858,645	$890,019
(-) Royalties	$65,567	$59,170	$65,394	$74,447	$82,706	$88,803	$93,719	$97,153	$100,703
% Revenue	*10.7%*	*11.9%*	*11.3%*	*11.3%*	*11.3%*	*11.3%*	*11.3%*	*11.3%*	*11.3%*
Commodity Revenue	**$547,791**	**$436,410**	**$512,560**	**$583,521**	**$648,258**	**$696,042**	**$734,577**	**$761,492**	**$789,316**
Other Income	$155	$1,326	$846	$963	$1,070	$1,149	$1,213	$1,257	$1,303
% Revenue	*0.025%*	*0.268%*	*0.146%*	*0.146%*	*0.146%*	*0.146%*	*0.146%*	*0.146%*	*0.146%*
Gain (loss) on derivative financial instruments	($32,974)	($8,748)	($26,392)	($30,351)	($27,071)	($29,237)	($30,991)	($32,230)	($33,288)
($/BOE)	*($3.32)*	*($0.79)*	*($2.05)*	*($2.05)*	*($2.05)*	*($2.05)*	*($2.05)*	*($2.05)*	*($2.05)*
Total Revenue	**$514,972**	**$428,988**	**$487,014**	**$554,134**	**$622,258**	**$667,955**	**$704,799**	**$730,519**	**$757,331**
Cost of Goods Sold									
Transportation	$30,467	$38,808	$42,134	$48,455	$43,218	$46,676	$49,476	$51,455	$53,145
($/BOE)	*$3.06*	*$3.48*	*$3.27*	*$3.27*	*$3.27*	*$3.27*	*$3.27*	*$3.27*	*$3.27*
Cost of Purchases	$21,438	$16,565	$23,442	$26,959	$24,045	$25,969	$27,527	$28,628	$29,568
($/BOE)	*$2.16*	*$1.49*	*$1.82*	*$1.82*	*$1.82*	*$1.82*	*$1.82*	*$1.82*	*$1.82*
Production	$101,566	$109,422	$128,936	$148,277	$132,254	$142,834	$151,404	$157,460	$162,629
($/BOE)	*$10.22*	*$9.83*	*$10.02*	*$10.02*	*$10.02*	*$10.02*	*$10.02*	*$10.02*	*$10.02*
Gross Profit	**$361,501**	**$264,193**	**$292,501**	**$330,444**	**$422,740**	**$452,476**	**$476,391**	**$492,975**	**$511,989**
Other Expenses									
G&A	$10,302	$10,384	$12,665	$14,565	$12,991	$14,030	$14,872	$15,467	$15,975
($/BOE)	*$1.04*	*$0.93*	*$0.98*	*$0.98*	*$0.98*	*$0.98*	*$0.98*	*$0.98*	*$0.98*
Share Based Compensation	$7,014	$7,862	$7,438	$7,438	$7,438	$7,438	$7,438	$7,438	$7,438
Exploration and evaluation	$14,484	$1,413	$10,189	$11,718	$10,451	$11,288	$11,965	$12,443	$12,852
($/BOE)	*$1.46*	*$0.13*	*$0.79*	*$0.79*	*$0.79*	*$0.79*	*$0.79*	*$0.79*	*$0.79*
Operating Income	**$329,701**	**$244,534**	**$262,208**	**$296,723**	**$391,860**	**$419,720**	**$442,116**	**$457,627**	**$475,724**
Gain (loss) on foreign exchange	$788	($104)	$342	$342	$342	$342	$342	$342	$342
Gain (loss) on sale of assets	($196)	$50	$342	$342	$342	$342	$342	$342	$342
EBITDA	**$330,293**	**$244,480**	**$262,892**	**$297,407**	**$392,544**	**$420,404**	**$442,800**	**$458,311**	**$476,408**
Depletion and depreciation	$116,183	$125,813	$147,864	$170,044	$151,668	$163,802	$173,630	$180,575	$186,503
($/BOE)	$11.69	$11.30	$11.49	$11.49	$11.49	$11.49	$11.49	$11.49	$11.49
EBIT	**$214,110**	**$118,667**	**$115,028**	**$127,363**	**$240,876**	**$256,602**	**$269,170**	**$277,736**	**$289,905**
Interest and Financing	$3,911	$4,190	$4,951	$5,694	$5,079	$5,485	$5,814	$6,047	$6,245
($/BOE)	*$0.39*	*$0.38*	*$0.38*	*$0.38*	*$0.38*	*$0.38*	*$0.38*	*$0.38*	*$0.38*
EBT	**$210,199**	**$114,477**	**$110,077**	**$121,669**	**$235,797**	**$251,117**	**$263,356**	**$271,689**	**$283,660**
Taxes	$49,819	$26,673	$25,868	$28,593	$55,413	$59,013	$61,890	$63,848	$66,661
Non-deductible expenses	$1,622	$1,830	$1,726	$1,726	$1,726	$1,726	$1,726	$1,726	$1,726
%	*23.7%*	*23.3%*	*23.5%*	*23.5%*	*23.5%*	*23.5%*	*23.5%*	*23.5%*	*23.5%*
Net Income (loss)	**$158,758**	**$85,974**	**$82,482**	**$91,350**	**$178,658**	**$190,378**	**$199,740**	**$206,115**	**$215,273**

Appendix 5: Comparable Companies Analysis

Comparable Company Analysis		Capitalization						LTM Multiples			Production Mix	
All values in $CAD thousands, except for share price			Shares					Enterprise Value /				
Company	Ticker	Share Price	Outstanding	Market Cap	TEV	EBITDA	DACF	EBITDA	DACF	EV Weighting	Liquid Weighting	Gas Weighting
Birchcliff Energy	BIR	$5.42	269,800	1,462,316	2,064,616	280,670	260,320	7.36x	7.93x	16%	25%	75%
Peyto Exploration	PEY	$17.16	196,700	3,375,372	4,722,872	896,330	811,630	5.27x	5.82x	36%	22%	78%
NuVista	NVA	$13.86	204,500	2,834,370	3,156,170	639,850	591,570	4.93x	5.34x	24%	49%	51%
Advantge	AAV	$9.37	167,000	1,564,790	2,314,040	297,680	293,220	7.77x	7.89x	18%	18%	82%
Spartan Delta	SDE	$3.68	173,600	638,848	770,748	168,330	165,790	4.58x	4.65x	6%	56%	44%
Maximum				3,375,372	4,722,872	896,330	811,630	7.77x	7.93x		56%	82%
75th Percentile				2,834,370	3,156,170	639,850	591,570	7.36x	7.89x		49%	78%
EV-Weighted Mean				**2,457,676**	**3,260,435**	**587,237**	**540,670**	**5.92x**	**6.34x**		**30%**	**70%**
25th Percentile				1,564,790	2,314,040	297,680	293,220	4.93x	5.34x		22%	51%
Minimum				638,848	770,748	168,330	165,790	4.58x	4.65x		18%	44%
Kelt Exploration	KEL	**$6.93**	196,400	**1,361,052**	**1,408,252**	**215,500**	**224,180**	**6.53x**	**6.28x**	11%	47%	**53%**

Kelt Implied Valuation - Comparable Company Analysis					
All values in $CAD thousands, except for share price	LTM Multiple	Enterprise Value	Market Cap	Share Price	Implied Upside
EV/EBITDA					
75th Percentile	7.36x	1,585,224	1,538,024	**$7.83**	**13%**
EV-Weighted Mean	5.92x	1,276,259	1,229,059	**$6.26**	**(10%)**
25th Percentile	4.93x	1,062,991	1,015,791	**$5.17**	**(25%)**
EV/DACF					
75th Percentile	7.89x	1,769,189	1,721,989	**$8.77**	**27%**
EV-Weighted Mean	6.34x	1,420,281	1,373,081	**$6.99**	**1%**
25th Percentile	5.34x	1,196,055	1,148,855	**$5.85**	**(16%)**

Legal Disclaimer

The content, opinions, estimates, and projections contained in this report are those of WestPeak Research Association (known as "WestPeak" or "WestPeak Research") and its directors, analysts, and affiliates and are subject to change without notice. The content, opinions, estimates, and projections on this report may not have been updated directly by WestPeak and its directors, analysts, and affiliates and may also have been altered or without your or our knowledge. WestPeak and its directors, analysts, and affiliates, without exception, do not accept any liability for factual, typographical, and grammatical errors, omissions, or content in this report. WestPeak and its directors, analysts, and affiliates do not accept any liability for damages arising from the use of or reliance on any of the content, opinions, estimates, and projections on this report. WestPeak and its directors, analysts, and affiliates endeavor to ensure that the content, opinions, estimates, and projections have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. Information may be available to WestPeak and its directors, analysts, and affiliates that is not reflected in this report. The information in this report is not intended to be used as the primary basis of investment decisions, and because of individual client objectives, should not be construed as advice designed to meet the particular investment needs of any investor. This report is for information purposes only and is not an offer to sell or the solicitation of an offer to buy any security. WestPeak and its directors, analysts, and affiliates may have a personal long or short position in any of the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. The reader should assume that WestPeak and its directors, analysts, and affiliates may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein. The reader, by the viewing of and use of the content, opinions, estimates, and projections contained in this report is assumed by WestPeak and its directors, analysts, and affiliates to have fully read, understood, and unconditionally agreed to all the terms and conditions set forth in this legal disclaimer.

Evan Calbick
Senior Analyst

WestPeak Research Association
contact@westpeakresearch.com