



PRESS RELEASE

(Stock Symbol "CLT" – TSX)

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Calgary, Alberta

**CELTIC REPORTS EARNINGS OF \$4.6 MILLION
AND CASH FLOW OF \$16.7 MILLION IN THE FIRST HALF OF 2004**

Celtic Exploration Ltd. ("Celtic" or the "Company") has released its financial and operating results for the three months and six months ended June 30, 2004. Highlights are as follows:

(\$ thousands, unless otherwise indicated)	Three months ended June 30			Six months ended June 30		
	2004	2003	% Change	2004	2003	% Change
FINANCIAL						
Revenue, net of royalties	\$ 11,976	\$ 4,582	161	\$ 23,188	\$ 9,198	152
Cash flow from operations	\$ 8,472	\$ 3,088	174	\$ 16,667	\$ 6,520	156
Cash flow per share						
Basic (\$/share)	\$ 0.33	\$ 0.14	136	\$ 0.65	\$ 0.33	97
Diluted (\$/share)	\$ 0.32	\$ 0.14	129	\$ 0.63	\$ 0.32	97
Net earnings	\$ 2,582	\$ 810	219	\$ 4,629	\$ 1,948	138
Earnings per share						
Basic (\$/share)	\$ 0.10	\$ 0.04	-	\$ 0.18	\$ 0.10	80
Diluted (\$/share)	\$ 0.10	\$ 0.04	-	\$ 0.17	\$ 0.10	70
Capital expenditures, net of dispositions	\$ 12,143	\$ 25,383	-52	\$ 24,924	\$ 31,224	-20
Total assets				\$ 114,246	\$ 75,986	50
Bank debt, net of working capital				\$ 19,023	\$ 11,299	68
Shareholders' equity				\$ 69,059	\$ 45,339	52
OPERATIONS						
Production						
Oil (bbls/d)	2,314	829	179	2,298	718	220
Natural gas (mcf/d)	7,372	4,332	70	7,713	4,377	76
Combined (BOE/d)	3,543	1,551	128	3,584	1,448	148
Production per million shares (BOE/d)	137	72	90	139	72	93
Realized sales prices						
Oil (\$/bbl)	\$ 45.79	\$ 35.54	29	\$ 44.35	\$ 38.45	15
Natural gas(\$/mcf)	\$ 7.29	\$ 7.19	1	\$ 6.91	\$ 7.92	-13
Combined (\$/BOE)	\$ 45.07	\$ 39.08	15	\$ 43.33	\$ 43.03	1
Operating netbacks						
Oil (\$/bbl)	\$ 30.08	\$ 21.06	43	\$ 29.13	\$ 23.45	24
Natural gas (\$/mcf)	\$ 4.00	\$ 4.48	-11	\$ 3.88	\$ 4.95	-22
Combined (\$/BOE)	\$ 27.98	\$ 23.77	18	\$ 27.06	\$ 26.59	2
Drilling activity						
Total wells	9	5	80	26	13	100
Working interest wells	5.3	2.8	89	18.0	6.0	200
Success rate on working interest wells	100%	43%	-	92%	48%	-
Undeveloped land						
Gross acres				168,596	92,432	82
Net acres				88,757	52,559	69

Production

For the three months ended June 30, 2004, Celtic's production averaged 3,543 BOE/d, comprised of 2,314 barrels per day of oil and 7.37 million cubic feet per day of natural gas. This represents a 128 percent improvement from the average production of 1,551 BOE/d in the second quarter of 2003. During the second quarter of 2004, the Company sold approximately 100 BOE/d of non-core production. Celtic's growth in production volumes compared to the previous year reflects the successful implementation of its dual-prong growth strategy. Wet weather conditions during the second quarter of 2004 resulted in a significant amount of oil production being temporarily shut-in. As a result, production levels during the quarter were lower than the Company's total capability and production expenses were higher. With additional new production coming on-stream as a result of recent drilling success and production that was temporarily shut-in in the second quarter due to facility constraints, Celtic expects to show further production growth in the third quarter of 2004.

Commodity Prices

Average prices received during the three-month period ended June 30, 2004 were \$45.79 per barrel for oil sales and \$7.29 per thousand cubic feet for natural gas sales. During the three-month period ended June 30, 2003, average prices received for sales were \$35.54 per barrel for oil and \$7.19 per thousand cubic feet for natural gas. Higher commodity prices in the second quarter of 2004 contributed to increases in revenue and cash flow from operations for the period. Celtic is forecasting oil prices to average \$42.00 per barrel and natural gas prices to average \$6.35 per thousand cubic feet in 2004. However, recent strength in both oil and gas prices may warrant the Company to increase its forecasted prices in the near future.

Revenue and Royalties

Oil and gas revenue, before royalties, for the three months ended June 30, 2004 was \$14.5 million, up 164 percent from \$5.5 million during the same period of the previous year. Royalties during the second quarter of 2004 were \$2.6 million, averaging 17.9 percent of sales. During the same period of 2003, royalties were \$1.0 million, averaging 18.2 percent of sales. Celtic is able to achieve lower royalties than industry standard through its participation in royalty incentive programs available for deep drilling and horizontal re-activation wells.

Expenses

For the three-month period ended June 30, 2004, production expenses were \$2.7 million (\$8.30 per BOE), transportation and selling expense was \$0.3 million (\$0.86 per BOE), general and administrative expenses were \$0.3 million (\$1.08 per BOE), interest expense was \$0.2 million, and depletion, depreciation and amortization expenses were \$4.5 million (\$13.85 per BOE). For the three-month period ended June 30, 2003, production expenses were \$1.0 million (\$6.88 per BOE), transportation and selling expense was \$0.2 million (\$1.59 per BOE), general and administrative expenses were \$0.2 million (\$1.52 per BOE), interest expense was \$0.1 million, and depletion, depreciation and amortization expenses were \$1.9 million (\$13.61 per BOE).

Taxes

For the second quarter of 2004, capital taxes were \$0.05 million compared to \$0.04 million in the corresponding period of the previous year. As at June 30, 2004, Celtic has sufficient tax deductions available to allow the Company to not record any current income tax expense. However, a provision for future income taxes in the amount of \$1.2 million was recorded for the three-month period ended June 30, 2004. An analysis of the future income tax provision is included in the notes to the interim financial statements.

Cash Flow from Operations and Net Earnings

Cash flow from operations for the three months ended June 30, 2004 was \$8.5 million (\$26.28 per BOE) or \$0.33 per share (\$0.32 per share diluted). The Company recorded net earnings of \$2.6 million or \$0.10 per share (basic and diluted) during the three-month period ended June 30, 2004. During the same period in the previous year, cash flow from operations was \$3.1 million (\$21.88 per BOE) or \$0.14 per share (basic and diluted). Net earnings for the second quarter of 2003 were \$0.8 million or \$0.04 per share (basic and diluted). The significant increases in cash flow from operations and net earnings in the second quarter of 2004, compared to the same period in 2003, were primarily due to the 128 percent growth in production and the 15 percent higher realized sales price per barrel of oil equivalent.

Weighted average common shares outstanding used to compute per share amounts were 25.8 million basic and 26.5 million diluted.

Capital Expenditures

During the three-month period ended June 30, 2004, Celtic incurred \$12.1 million in capital expenditures, after proceeds from minor property dispositions. Approximately \$7.1 million was spent on drilling and completing wells, \$3.0 million was spent on well equipment and facilities and the balance was spent on land, seismic and other.

Celtic is committed to future growth through its dual-prong strategy to augment strategic oil and gas asset acquisitions with exploration and development drilling activity. As a result, the Company has established a \$50.0 million capital budget for 2004, of which \$25.1 million is expected to be incurred during the second half of the year. The majority of these expenditures are planned for exploration and development activity.

LIQUIDITY AND CAPITAL RESOURCES

Capital expenditures for the second quarter of 2004 were funded by cash flow from operations and bank debt.

The Company currently has a revolving demand loan facility with a Canadian chartered bank, with an authorized borrowing amount of \$36.0 million. At June 30, 2004, Celtic had \$17.2 million outstanding under this facility. Bank debt, including working capital deficiency at June 30, 2004, was \$19.0 million. As a result, the Company has significant unutilized bank lines, remaining in a strong financial position to implement its growth strategy in the near future.

Celtic expects to fund future capital expenditures through the use of a combination of cash flow from operations and bank debt, supplemented by new equity financings, if required.

OUTLOOK

Celtic recently announced that it had entered into a farm-in agreement whereby Celtic has committed to drill a minimum of four wells in the Ashmont area, in close proximity to the Company's existing acreage and operations. The farm-in area consists of 109 (68 net) sections of land and, under certain conditions, Celtic can continue to drill land-earning option wells until September 1, 2006. Celtic will pay 100 percent of the drilling and completion costs, earning a 65 percent working interest. Prior to entering into this farm-in agreement, Celtic owned a 100 percent interest in over 50 sections of land in the Ashmont area. Celtic has been successful to date at Ashmont, increasing production from 100 BOE/d to approximately 350 BOE/d. The area provides lower risk and shallow depth multi-zone natural gas drilling opportunities with relatively low drilling costs.

As a result of recent drilling success, the large area farm-in agreement mentioned above, and the generation of new exploration and development prospects, Celtic has increased its 2004 capital expenditure budget to \$50.0 million (previously \$40.0 million). The increase in capital spending will be financed by cash flow from operations and existing bank credit lines.

After giving effect to the increased capital expenditure program, the Company expects to exit 2004 with approximately 5,000 BOE/d of production (previous guidance was 4,700 BOE/d). Average production for the year is expected to be approximately 4,100 BOE/d. Currently, Celtic's production is in excess of 4,100 BOE/d. Cash flow from operations is forecasted to be approximately \$34.5 million (previous guidance was \$32.4 million) in 2004 or \$1.34 per share (previous guidance was \$1.25 per share). Debt, net of working capital, is estimated to reach \$26.3 million (previous guidance was \$18.4 million) by the end of 2004 or 0.8 times 2004 cash flow (previous guidance was 0.6 times 2004 cash flow).

Celtic's capital expenditure budget for 2004 will see the Company participate at high working interests in the drilling of approximately 55 wells during the year. Celtic is excited about its growth prospects and remains optimistic about the Company's ability to deliver continued per share growth in production, cash flow from operations and earnings.

Common shares of the Company trade on the Toronto Stock Exchange under the symbol "CLT". Celtic's unaudited financial statements for the six months ended June 30, 2004 are available on SEDAR at www.sedar.com.

For further information, please contact:

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