



PRESS RELEASE

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CELTIC REPORTS SIGNIFICANT GAINS IN PRODUCTION, REVENUE AND EARNINGS IN THE SECOND QUARTER OF 2010

Celtic Exploration Ltd. ("Celtic" or the "Company") is pleased to report to shareholders the Company's financial and operating results for the three months and six months ended June 30, 2010.

Advisory Regarding Forward-Looking Statements

This news release contains expectations, beliefs, plans, goals, objectives, assumptions, information and statements about future events, conditions, results of operations or performance that constitute "forward-looking information" or "forward-looking statements" (collectively, "forward-looking statements") under applicable securities laws. Undue reliance should not be placed on forward-looking statements. Forward-looking statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated by the Company and described in the forward-looking statements. We caution that the foregoing list of risks and uncertainties is not exhaustive. Events or circumstances could cause actual dates to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. The forward-looking statements contained in this news release 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.

The information set out herein with respect to forecasted 2010 results is "financial outlook" within the meaning of applicable securities laws. The purpose of this financial outlook is to provide readers with disclosure regarding Celtic's reasonable expectations as to the anticipated results of its proposed business activities for 2010. Readers are cautioned that this financial outlook may not be appropriate for other purposes.

Non-GAAP Financial Measurements

This document contains the terms "funds from operations", "operating netback" and "production per share" which do not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable with the calculation of similar measures by other companies. Funds from operations and operating netbacks are used by Celtic as key measures of performance. Funds from operations and operating netbacks are not intended to represent operating profits nor should they be viewed as an alternative to cash provided by operating activities, net earnings or other measures of financial performance calculated in accordance with GAAP. Operating netbacks are determined by deducting royalties, production expenses and transportation expenses from oil and gas revenue. Funds from operations are determined by adding back settlement of asset retirement obligations and change in non-cash operating working capital to cash provided by operating activities. The Company calculates funds from operations per share using the same method and shares outstanding which are used in the determination of earnings per share.

Other Measurements

All dollar amounts are referenced in Canadian dollars, except when noted otherwise. Where amounts are expressed on a barrel of oil equivalent ("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. References to oil in this discussion include crude oil and natural gas liquids ("NGLs"). NGLs include condensate, propane, butane and ethane. References to gas in this discussion include natural gas and sulphur.

HIGHLIGHTS - SECOND QUARTER 2010

The three months ended June 30, 2010 was another successful quarter in the execution of the Company's growth strategy. Highlights for the second quarter of 2010 are as follows:

- Drilled 8 (5.8 net working interest) wells during the quarter resulting in an overall success rate of 100%;
- Increased average daily production by 65% to 18,029 BOE per day, up from 10,909 BOE per day in the second quarter of 2009;
- Received an average price of \$35.20 (\$34.87 before hedging) per BOE, down 12% from \$39.78 (\$30.88 before hedging) per BOE in the second quarter of 2009 and recorded an operating netback of \$22.75 per BOE, down 1% from \$23.06 per BOE in the corresponding quarter of 2009; and
- Generated \$34.1 million in funds from operations for the three month period ended June 30, 2010, up 71% from \$20.0 million in the same quarter of the previous year. Reported funds from operations per share, diluted, of \$0.37, an increase of 61% from \$0.23 per share in the second quarter of the previous year.

SUMMARY OF RESULTS

(\$ thousands, unless otherwise indicated)	Three months ended June 30,			Six months ended June 30,		
	2010	2009	Change	2010	2009	Change
FINANCIAL						
Revenue, before royalties and financial derivatives	57,202	30,668	87%	121,011	72,102	68%
Funds from operations	34,122	20,008	71%	69,205	48,148	44%
Basic (\$/share)	0.38	0.23	65%	0.77	0.57	35%
Diluted (\$/share)	0.37	0.23	61%	0.76	0.56	37%
Net earnings (loss)	4,827	(5,459)	-	10,432	(10,498)	-
Basic (\$/share)	0.05	(0.07)	-	0.12	(0.13)	-
Diluted (\$/share)	0.05	(0.07)	-	0.11	(0.13)	-
Capital expenditures, net of dispositions and drilling credits	38,138	36,619	4%	32,144	78,201	-59%
Total assets				655,507	663,531	-1%
Bank debt, net of working capital				125,858	145,976	-14%
Shareholders' equity				403,737	394,870	2%
Weighted average common shares outstanding (thousands)						
Basic	89,644	86,972	3%	89,503	84,805	6%
Diluted	91,208	87,584	4%	91,088	85,166	7%
OPERATIONS						
Production						
Oil (bbls/d)	4,144	2,939	41%	4,220	3,268	29%
Gas (mcf/d)	83,311	47,822	74%	80,686	52,737	53%
Combined (BOE/d)	18,029	10,909	65%	17,668	12,057	47%
Production per million shares (BOE/d)	201	126	60%	197	142	39%
Realized sales prices, after financial instruments						
Oil (\$/bbl)	69.12	86.32	-20%	69.90	82.32	-15%
Gas (\$/mcf)	4.17	3.77	11%	4.66	4.64	0%
Operating netbacks (\$/BOE)						
Oil and gas revenue	34.87	30.88	13%	37.85	33.02	15%
Realized gain (loss) on financial instruments	0.33	8.90		0.15	9.54	
Realized sales price, after financial instruments	35.20	39.78	-12%	38.00	42.56	-11%
Royalties	(3.36)	(4.05)	-17%	(4.80)	(6.50)	-26%
Production expense	(8.73)	(12.13)	-28%	(8.98)	(11.08)	-19%
Transportation expense	(0.36)	(0.54)	-33%	(0.51)	(0.51)	0%
Operating netback	22.75	23.06	-1%	23.71	24.47	-3%
Drilling activity						
Total wells	8	9	-11%	29	24	21%
Working interest wells	5.8	8.7	-33%	21.0	21.4	-2%
Success rate on working interest wells	100%	100%	0%	90%	91%	-1%
Undeveloped land (acres)						
Gross				339,204	344,846	-2%
Net				274,681	272,000	1%

MESSAGE TO SHAREHOLDERS

Celtic Exploration Ltd. ("Celtic" or the "Company") is pleased to report to shareholders the Company's activities in the second quarter of 2010. During the quarter, Celtic drilled 8 (5.8 net) wells with an overall success rate of 100%. Despite the disposition of approximately 500 BOE per day at Swan Hills, Celtic achieved record average quarterly production levels during the second quarter of 2010. Production during the quarter averaged 18,029 BOE per day, an increase of 65% from 10,909 BOE per day in the second quarter of 2009. In addition, due to wet weather conditions, the Company delayed pipeline construction at Bantry in southern Alberta where Celtic has approximately 300 BOE per day behind pipe. This production is expected to be put on-stream in the fourth quarter of 2010. In the second quarter of 2010, Celtic recorded funds from operations of \$34.1 million (\$0.37 per share, diluted), compared to \$20.0 million (\$0.23 per share, diluted) reported in the same quarter of the previous year.

Second Quarter Drilling Activity

During the second quarter of 2010, the Company's drilling activity was all in the Greater Kaybob area of Alberta, where Celtic drilled 8 (5.8 net) horizontal wells targeting the Triassic Montney, Cretaceous Bluesky and Cretaceous Notikewin formations, with a 100% success rate. Three (1.6 net) were Montney wells, three (2.8 net) were Bluesky wells and two (1.4 net) were Notikewin wells. The Montney and Bluesky wells are liquids rich with NGLs of 26 to 40 barrels per MMCF.

At the end of the second quarter, production from seven wells will be delayed or constrained until late in the third quarter due to pipeline construction that was postponed as a result of wet weather conditions.

Exploration Update

Celtic has an active exploration program planned for 2010. The Company expects to drill ten horizontal wells during the year targeting new resource plays that have similar characteristics as its Kaybob resource play. These wells will test six new plays targeting the Montney, Bluesky, Notikewin, Cardium and Cadotte formations. Due to the competitive land situation, results from several of these new plays will not be made public until the fourth quarter of 2010. All of these exploration plays are in west central Alberta, however, they are outside of the development area at Kaybob, where the Company has been most active, including Pedley, Grizzly and Fir.

At Pedley, the Company has 4,480 acres (7 sections) of land, at 100% working interest. A horizontal well was spud here at the end of June and is currently drilling. The target at Pedley is liquids-rich gas from the Cardium formation. Celtic lands are located between two producing Cardium wells. A drilling pad has been situated to access a significant portion of the Company's lands and is adjacent to a main pipeline which delivers gas to a gas plant in which Celtic has a working interest.

In the Grizzly area, the Company has 5 sections of land, at 100% working interest. Two horizontal wells were drilled here in the first quarter of 2010, targeting the Cretaceous Notikewin formation. One well encountered water after fracing into an overlying wet Viking zone. The other well has been put on production. Further development in the area will be deferred pending higher natural gas prices as the gas is relatively lean with lower NGL yields compared to the Company's other plays.

At Fir, the Company owns a 100% interest in 8,800 acres of land with Montney rights and has a farm-in arrangement on an additional 6,400 acres. A horizontal well targeting the Montney was spud on the farm-in lands in mid-June and is currently awaiting completion. Upon completion of the farm-in well, Celtic will earn a 100% working interest in all of the 6,400 acres, subject to a non-convertible override royalty, giving the Company a total of 23.75 sections in this Montney play.

In addition to these new exploration plays outside of Kaybob, Celtic has commenced drilling an exploration horizontal well at Kaybob South targeting the Devonian Duvernay Shale formation. The Company pooled 8 sections of 100% interest lands with two other industry partners, ultimately taking a one third interest in 27 gross sections. Celtic is the operator and expects to complete the drilling and testing of this well in

September 2010. The Company believes the Duvernay Shale in Alberta has similar characteristics as the Horn River Shale in British Columbia where the play has proved to have high initial production rates and ultimate recoverable reserves. The Duvernay at Kaybob is expected to have higher liquids content than the Horn River which is a relatively dry lean gas.

The Company currently owns 95,000 gross and 84,269 net acres of land with Duvernay rights at Kaybob and surrounding areas. Interest in the Duvernay Shale at Kaybob and surrounding areas has heated up in recent months as is evidenced by Alberta Crown land sales. At the December 16, 2009 land sale, industry participants spent \$332.9 million to acquire 263,040 acres of land at an average price of \$1,266 per acre and at the July 7, 2010 land sale; \$336.7 million was spent to acquire 125,440 acres of land at an average price of \$2,685 per acre.

Acquisitions and Dispositions

As previously announced, the Company completed the disposition of its Swan Hills property in the first quarter of 2010 for proceeds of \$53.25 million, prior to adjustments. Production from this property was approximately 500 BOE per day.

Subsequent to the end of the second quarter, the Company completed another disposition whereby an oil property in northern Alberta with production of approximately 20 BOE per day was sold for proceeds of \$3.2 million, prior to adjustments.

Also subsequent to the end of the second quarter, the Company completed a tuck-in acquisition at Kaybob South. For consideration of \$7.5 million, prior to adjustments, Celtic acquired approximately 250 BOE per day of liquids-rich natural gas production plus minor facility interests in the KA Gas Plant and the Kaybob South Sulphur and Loading Facility.

The Company will continue to monetize non-core assets if the opportunity arises.

Outlook for the remainder of 2010

Celtic is very pleased with its second quarter operating and financial results. The Company expects to report relatively flat production volumes in the third quarter, compared to the second quarter. However, in anticipation of temporarily shut-in production from new drills being brought on-stream late in the third quarter, the Company expects to report higher production in the fourth quarter, exiting the year in excess of 20,000 BOE per day. Average production during 2010 is expected to be between 18,200 and 18,500 BOE per day.

In spite of low gas prices, Celtic is able to generate profitable returns on its investments due to the nature of its asset base that is primarily made up of predictable and repeatable resource type development in liquids-rich natural gas formations. The Company is excited about its exploration program and looks forward to updating shareholders with results in the near future.

OPERATING AND FINANCIAL RESULTS

Production

Oil and gas production in the second quarter of 2010 increased 65% to average 18,029 BOE per day compared to 10,909 BOE per day in the same quarter of 2009. Production per million shares outstanding for the three months ended June 30, 2010 averaged 201 BOE per day, up 60% from 126 BOE per day in the corresponding quarter of the previous year.

Oil and gas production for the six months ended June 30, 2010 increased 47% to average 17,668 BOE per day compared to 12,057 BOE per day in the same quarter of 2009. Production per million shares outstanding for the six months ended June 30, 2010 averaged 197 BOE per day, up 39% from 142 BOE per day in the corresponding six months of the previous year.

Revenue

Revenue, before royalties, and before realized and unrealized gains or losses on financial instruments, for the three months ended June 30, 2010, was \$57.2 million, an increase of 87% compared to \$30.7 million in the same quarter of the previous year. Revenue, before royalties, and before realized and unrealized gains or losses on financial instruments, for the six months ended June 30, 2010, was \$121.0 million, an increase of 68% compared to \$72.1 million in the same period of the previous year.

Increase in revenue for 2010 was due to significantly higher production volumes that more than offset lower realized oil prices.

The combined average product price received for oil and gas sales, adjusted for realized gains or losses on financial instruments for the three months ended June 30, 2010 was \$35.20 per BOE, a decrease of 12% compared to the corresponding three month period of the previous year. The combined average product price received for oil and gas sales, adjusted for realized gains or losses on financial instruments for the six months ended June 30, 2010 was \$38.00 per BOE, a decrease of 11% compared to the corresponding six month period of the previous year.

Oil Operations

Oil production for the second quarter ended June 30, 2010 averaged 4,144 barrels per day, an increase of 41% compared to the same quarter of the previous year. Oil production for the six months ended June 30, 2010 averaged 4,220 barrels per day, an increase of 29% compared to the same period of the previous year.

The average price received for oil sales, after realized financial instruments, for the second quarter ended June 30, 2010 was \$69.12 (\$69.12 before financial instruments) per barrel, down 20% from the average price of \$86.32 (\$55.30 before financial instruments) per barrel received in the second quarter of 2009. The average price received for oil sales, after realized financial instruments, for the six months ended June 30, 2010 was \$69.90 (\$69.90 before financial instruments) per barrel, down 15% from the average price of \$82.32 (\$49.67 before financial instruments) per barrel received in the first six months of 2009.

In 2010, the differential from WTI to the Company's realized wellhead oil price narrowed to 13.9% compared to 19.9% in 2009, as Celtic received a premium for its condensate and butane production.

For the quarter ended June 30, 2010, average oil royalties were 15.4% of revenue, after realized financial instruments (15.4% of revenue, before financial instruments). In the second quarter of the previous year, average oil royalties were 12.9% of revenue, after financial instruments (20.2% of revenue, before financial instruments). For the six months ended June 30, 2010, average oil royalties were 18.2% of revenue, after realized financial instruments (18.2% of revenue, before financial instruments). In the first six months of the previous year, average oil royalties were 15.8% of revenue, after financial instruments (26.2% of revenue, before financial instruments).

Lower oil royalty rates in 2010, before financial instruments, reflect the benefit of the royalty incentive programs offered by the Alberta government.

Transportation expenses for oil production in the second quarter of 2010 averaged \$0.21 per barrel compared to \$0.35 per barrel in the second quarter of 2009. Transportation expenses for oil production during the six months ended June 30, 2010 averaged \$0.25 per barrel compared to \$0.35 per barrel in the first six months of 2009.

Lower per unit transportation expenses in 2010 reflect the larger portion of newer NGL production from Kaybob which is mostly pipeline connected and therefore less expensive to transport compared to trucking oil.

For the second quarter ended June 30, 2010, oil production expenses were \$10.02 per barrel. In the same quarter of the previous year, oil production expenses were \$13.97 per barrel. For the six months ended June

30, 2010, oil production expenses were \$11.31 per barrel. In the same period of the previous year, oil production expenses were \$13.91 per barrel.

Lower per unit production expenses in 2010 reflect the larger portion of newer NGL production from Kaybob which is less expensive to produce compared to the Company's older oil production.

Gas Operations

Gas production for the second quarter ended June 30, 2010 averaged 83,311 MCF per day, an increase of 74% compared to 47,822 MCF per day in the corresponding quarter of the previous year. Gas production for the six months ended June 30, 2010 averaged 80,686 MCF per day, an increase of 53% compared to 52,737 MCF per day in the corresponding period of the previous year.

Increases in gas production in 2010 were primarily a result of Celtic's successful drilling results in its resource development prospect located in the Greater Kaybob area of Alberta.

The average price received for gas sales, after realized financial instruments, for the second quarter ended June 30, 2010 was \$4.17 (\$4.10 before financial instruments) per MCF, up 11% from the average price of \$3.77 (\$3.65 before financial instruments) per MCF received in the second quarter of 2009. The average price received for gas sales, after realized financial instruments, for the six months ended June 30, 2010 was \$4.66 (\$4.63 before financial instruments) per MCF, compared to \$4.64 (\$4.48 before financial instruments) per MCF received in the first six months of 2009.

For the quarter ended June 30, 2010, average gas royalties were 4.8% of revenue, after financial instruments (4.8% of revenue, before financial instruments). In the second quarter of the previous year, average gas royalties were 6.4% of revenue, after financial instruments (6.6% of sales, before financial instruments). For the six months ended June 30, 2010, average gas royalties were 8.2% of revenue, after financial instruments (8.3% of revenue, before financial instruments). In the first six months of the previous year, average gas royalties were 14.7% of revenue, after financial instruments (15.4% of sales, before financial instruments).

Lower gas royalty rates in 2010, before financial instruments, are a result of the benefits of longer depth horizontal wells which receive favourable treatment under the Alberta royalty framework and new production qualifying for various incentive programs. In addition, royalties are reduced further as the Company continues to receive gas cost allowance credits which do not fluctuate with gas prices.

Transportation expenses for the second quarter ended June 30, 2010 were \$0.07 per MCF, down from \$0.10 per MCF for the same quarter in the previous year. Transportation expenses for the six months ended June 30, 2010 were \$0.10 per MCF, unchanged from \$0.10 per MCF for the same period in the previous year.

For the second quarter ended June 30, 2010, production expenses of \$1.39 per MCF were 27% lower than \$1.91 per MCF in the corresponding quarter of the previous year. For the six months ended June 30, 2010, production expenses of \$1.38 per MCF were 17% lower than \$1.67 per MCF in the corresponding period of the previous year.

Production expenses in 2010 are lower as 2009 reflects certain one time expenses that were incurred at Kaybob as a result of turnaround operations at the KA Gas Plant where the majority of Celtic's gas is processed. The turnaround operations occur every four years.

Other Expenses

For the quarter ended June 30, 2010, general and administrative ("G&A") expenses were \$1.0 million (\$0.61 per BOE); interest expense was \$1.7 million; and depletion, depreciation and accretion ("DD&A") expenses were \$28.9 million (\$17.63 per BOE). In the previous year, for the quarter ended June 30, 2009, G&A expenses were \$0.9 million (\$0.87 per BOE); interest expense was \$1.4 million; and DD&A expenses were \$19.9 million (\$20.02 per BOE).

During the six months ended June 30, 2010, G&A expenses were \$2.4 million (\$0.75 per BOE); interest expense was \$3.0 million; and DD&A expenses were \$56.2 million (\$17.57 per BOE). In the previous year, for the six month period ended June 30, 2009, G&A expenses were \$1.9 million (\$0.86 per BOE); interest expense was \$2.3 million; and DD&A expenses were \$44.6 million (\$20.43 per BOE).

Higher aggregate G&A expenses in 2010 reflect the Company's increased activities and growth year over year. However, with production growth out pacing the increase in G&A expenses, on a BOE basis, G&A expenses are lower year over year. Increase in interest expense in 2010 reflects higher bank spreads. Lower DD&A expense per BOE reflects the addition of proven reserves at lower than historic average costs.

Taxes

For the quarter ended June 30, 2010, Celtic provided for a provision for future income taxes in the amount of \$2.3 million, compared to a recovery of \$2.0 million in the second quarter of 2009. For the six months ended June 30, 2010, Celtic provided for a provision for future income taxes in the amount of \$4.7 million, compared to a recovery of \$3.9 million in the first six months of 2009.

For the six months ended June 30, 2010, Celtic is not required to pay current income taxes as it has sufficient income tax deductions available to shelter taxable income for the period. Estimated income tax deductions available at June 30, 2010 are \$375.1 million and are comprised of \$59.9 million of COGPE, \$183.4 million of CDE, \$33.8 million of CEE, \$94.4 million of UCC and \$3.6 million of share issue costs.

Earnings

Net earnings for the second quarter ended June 30, 2010 were \$4.8 million (\$0.05 per share basic and diluted) compared to a net loss of \$5.5 million (\$0.07 per share basic and diluted) in the second quarter of 2009. On a barrel of oil equivalent basis, net earnings in the second quarter of 2010 were \$2.94 per BOE, compared to a net loss of \$5.50 per BOE in the same quarter of 2009. During the same period, funds from operations were \$34.1 million (\$0.38 per share basic and \$0.37 per share diluted). On a barrel of oil equivalent basis, funds from operations in the second quarter of 2010 were \$20.80 per BOE, up 3% from \$20.15 per BOE in the same quarter of 2009.

Net earnings for the six months ended June 30, 2010 were \$10.4 million (\$0.12 per share basic and \$0.11 per share diluted) compared to a net loss of \$10.5 million (\$0.13 per share basic and diluted) in the first six months of 2009. On a barrel of oil equivalent basis, net earnings in the first half of 2010 were \$3.26 per BOE, compared to a net loss of \$4.81 per BOE in the first half of 2009. During the same period, funds from operations were \$69.2 million (\$0.77 per share basic and \$0.76 per share diluted). On a barrel of oil equivalent basis, funds from operations in the first half of 2010 were \$21.64 per BOE, down 2% from \$22.06 per BOE in the first half of 2009.

Higher earnings and higher funds from operations in 2010 reflect the increase in production compared to 2009, which more than offset lower realized per BOE combined oil and gas prices in 2010.

Capital Expenditures

During the quarter ended June 30, 2010, Celtic spent \$37.4 million on capital projects. Drilling and completion operations accounted for \$29.0 million, equipment and facility expenditures were \$5.1 million and \$3.3 million was spent on land and seismic. Net capital expenditures after drilling royalty credits, acquisitions and dispositions were \$38.1 million, up 4% from \$36.6 million in the second quarter of 2009.

During the six months ended June 30, 2010, Celtic spent \$96.6 million on capital projects. Drilling and completion operations accounted for \$78.5 million, equipment and facility expenditures were \$13.1 million and \$5.0 million was spent on land and seismic. Recovery of drilling costs through drilling royalty credits earned and deemed collectible in the future were \$11.6 million. Proceeds from property dispositions were \$52.8 million. As a result, net capital expenditures for the six months were \$32.1 million, down 59% from \$78.2 million in the first six months of 2009.

At June 30, 2010, the Company had 339,204 gross (274,681 net) acres of undeveloped land. The Company continues to build on its inventory of prospects for future drilling.

Drilling Activity

During the second quarter of 2010, the Company drilled 8 (5.8 net) natural gas wells, for an overall success rate of 100%. During the second quarter of 2009, Celtic drilled 9 (8.7 net) wells, with an overall success rate of 100%. The average measured depth of net wells drilled in the second quarter of 2010 was 3,961 metres, an increase of 8% compared to the average drilling measured depth of 3,665 metres in the second quarter of 2009.

During the six months ended June 30, 2010, the Company drilled 29 (21.0 net) wells resulting in 27 (18.7 net) natural gas wells, for an overall success rate of 90%. During the same period in 2009, Celtic drilled 24 (21.4 net) wells, with an overall success rate of 91%. The average measured depth of net wells drilled in the first six months of 2010 was 3,626 metres, an increase of 21% compared to the average drilling measured depth of 2,999 metres in the first six months of 2009.

Share Information

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. The Company's shareholders approved a two-for-one stock split effective May 6, 2010. All references to common shares and stock options in these financial statements are on a post stock split basis. As at June 30, 2010, there were 89.9 million common shares outstanding (as at August 10, 2010, there were 90.1 million common shares outstanding). There are no preferred shares outstanding.

As at June 30, 2010, directors, employees and certain consultants have been granted options to purchase 7.6 million common shares of the Company at an average exercise price of \$7.93 per share.

The Company's common shares trade on the TSX under the symbol "CLT".

2010 Guidance

Celtic continues to remain optimistic about its future prospects. Celtic is opportunity driven and is confident that it can continue to grow the Company's production base by building on its current inventory of development prospects and by continuing to add new exploration prospects. Celtic will endeavour to maintain a high quality product stream that on a historical basis receives a superior price with reasonably low production costs. In addition, the Company takes advantage of royalty incentive programs in order to further increase netbacks. Celtic will continue to focus its exploration efforts in areas of multi-zone hydrocarbon potential.

Celtic's Board of Directors has approved a capital expenditure budget in the amount of \$187.0 million for 2010. Capital expenditures will be reduced by drilling royalty credits earned during 2010 in the amount of \$10.0 to \$15.0 million. In addition, the Company expects proceeds from property dispositions, net of asset acquisitions, to be approximately \$48.0 million in 2010. Capital spending for 2010 is expected to be financed by funds from operations, available bank credit lines and common share issuances, if necessary.

After forecasting risked production discoveries, timing of production on-stream dates resulting from the Company's planned capital expenditures for 2010, estimated decline rates on existing and new volumes, Celtic expects production in 2010 to average between 18,200 and 18,500 BOE/d (23% oil and 77% gas). At the low end of the range, this represents an estimated 28% increase from the average production of 14,192 BOE/d achieved in 2009. Celtic expects to exit 2010 with production in excess of 20,000 BOE/d.

The Company's average commodity price assumptions for 2010 are US\$78.00 per barrel for WTI oil, US\$4.75 (previously US\$4.50) per MMBTU for NYMEX natural gas, \$3.95 per GJ for AECO natural gas and a US/Canadian dollar exchange rate of US\$0.963. These prices compare to average 2009 prices of US\$61.63 per barrel for WTI oil, US\$4.01 per MMBTU for NYMEX natural gas, \$3.97 per GJ for AECO natural gas and a US/Canadian dollar exchange rate of US\$0.880.

After giving effect to the aforementioned production and commodity price assumptions and taking into effect risk management contracts in place, funds from operations for 2010 is forecasted to be approximately \$139.0 million (previously \$132.0 million) or \$1.55 per share (\$1.52 per share, diluted) and net earnings are forecasted to be approximately \$12.0 million (previously \$8.0 million) or \$0.13 per share (\$0.13 per share, diluted). The increased estimate for funds from operations and net earnings compared to the Company's previous outlook reflect new estimates for lower royalties, transportation expense and production expense.

Changes in forecasted commodity prices and variances in production estimates can have a significant impact to estimated funds from operations and net earnings. Please refer to the advisory regarding forward-looking statements shown above.

Bank debt, net of working capital, is estimated to be \$153.0 million by the end of 2010 or approximately 1.1 times forecasted 2010 funds from operations.

Celtic's capital expenditure budget for 2010 will see the Company participate at high working interests in the drilling of approximately 60 to 65 wells during the year, of which over 85% will be horizontal wells. Celtic continues to evaluate and pursue potential property acquisitions that would complement its existing asset base and completion of such acquisitions would be over and above the Company's planned capital expenditure budget.

Celtic is excited about the growth prospects being generated in the Company and remains optimistic about the Company's ability to deliver continued per share growth in production, reserves, net asset value and funds from operations. Given the Company's strong inventory of drilling locations, we look forward to continued growth in 2010 and beyond.

The information set out herein under the heading "2010 Guidance" is "financial outlook" within the meaning of applicable securities laws. The purpose of this financial outlook is to provide readers with disclosure regarding Celtic's reasonable expectations as to the anticipated results of its proposed business activities for 2010. Readers are cautioned that this financial outlook may not be appropriate for other purposes.

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