kelt exploration

INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTHS ENDED
MARCH 31, 2019

KELT EXPLORATION LTD.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
[UNAUDITED]

(CA$ thousands)	[Notes]	**March 31, 2019**	December 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents		**3,172**	6,455
Accounts receivable and accrued revenue	[12]	**48,575**	46,180
Prepaid expenses and deposits		**1,266**	1,668
Derivative financial instruments	[12]	**209**	3,247
Total current assets		**53,222**	57,550
Investment in securities	[12]	**1,600**	1,000
Exploration and evaluation assets	[5]	**123,218**	119,282
Property, plant and equipment	[6]	**1,337,187**	1,245,689
Total assets		**1,515,227**	1,423,521
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**115,667**	83,530
Derivative financial instruments	[12]	**242**	651
Decommissioning obligations	[9]	**1,317**	904
Lease liability	[10]	**1,025**	-
Total current liabilities		**118,251**	85,085
Bank debt	[7]	**193,322**	168,881
Convertible debentures	[8]	**79,426**	78,390
Decommissioning obligations	[9]	**160,209**	143,763
Deferred income tax liability		**57,192**	53,606
Lease liability	[10]	**1,992**	-
Total liabilities		**610,392**	529,725
SHAREHOLDERS' EQUITY			
Shareholders' capital	[11]	**1,119,404**	1,119,232
Reserve from common control transaction		**(57,668)**	(57,668)
Equity component of convertible debentures	[8]	**12,843**	12,843
Contributed surplus		**21,432**	19,713
Retained earnings (deficit)		**(191,176)**	(200,324)
Total shareholders' equity		**904,835**	893,796
Total liabilities and shareholders' equity		**1,515,227**	1,423,521
Commitments	[15]		

The accompanying notes form an integral part of these consolidated condensed interim financial statements.

On behalf of the Board of Directors:

[signed] David J. Wilson, Director

[signed] Neil G. Sinclair, Director

KELT EXPLORATION LTD.
CONSOLIDATED STATEMENT OF PROFIT (LOSS) AND COMPREHENSIVE INCOME (LOSS)
[UNAUDITED]

		Three months ended March 31	
(CA$ thousands, except per share amounts)	[Notes]	**2019**	2018
Revenue			
Petroleum and natural gas revenue	[13]	**102,585**	89,993
Royalties		**(4,907)**	(6,667)
		97,678	83,326
Expenses			
Production		**24,698**	22,949
Transportation		**11,619**	8,247
Cost of purchases		**3,608**	2,407
Financing	[14]	**4,967**	4,035
General and administrative		**2,591**	1,843
Provision for potential credit losses		**(18)**	-
Share based compensation	[11]	**1,878**	1,588
Exploration and evaluation	[5]	**273**	1,490
Depletion and depreciation	[6]	**33,916**	38,729
		83,532	81,288
Loss on derivative financial instruments	[12]	**(3,441)**	-
Foreign exchange gain (loss)		**(219)**	190
Unrealized gain on investment	[12]	**600**	-
Premium on flow-through shares		**-**	1,042
Gain on sale of assets	[4]	**1,375**	128
Other income		**495**	-
Profit before taxes		**12,956**	3,398
Deferred income tax expense		**(3,587)**	(3,421)
Profit (loss) and comprehensive income (loss)		**9,369**	(23)
Loss per common share			
Basic		**0.05**	0.00
Diluted		**0.05**	0.00

The accompanying notes form an integral part of these consolidated condensed interim financial statements.

KELT EXPLORATION LTD.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
[UNAUDITED]

(CA$ thousands)	[Notes]	Shareholders' capital Number of Shares (000s)	Shareholders' capital Amount ($ thousands)	Reserve	Convertible debentures – equity portion	Contributed surplus	Retained earnings (deficit)	Total shareholders' equity
Balance at December 31, 2018		184,003	1,119,232	(57,668)	12,843	19,713	(200,324)	893,796
Initial adoption of IFRS 16	[3]	-	-	-	-	-	(221)	(221)
Profit and comprehensive income		-	-	-	-	-	9,369	9,369
Exercise of stock options	[11]	4	18	-	-	(5)	-	13
Vesting of restricted share units	[11]	38	154	-	-	(154)	-	-
Share based compensation	[11]	-	-	-	-	1,878	-	1,878
Balance at March 31, 2019		**184,045**	**1,119,404**	**(57,668)**	**12,843**	**21,432**	**(191,176)**	**904,835**

Balance at December 31, 2017		178,858	1,078,773	(57,668)	12,856	20,218	(208,478)	845,701
Loss and comprehensive loss		-	-	-	-	-	(23)	(23)
Share issue costs, net of tax		-	(25)	-	-	-	-	(25)
Exercise of stock options	[11]	1,554	13,738	-	-	(3,960)	-	9,778
Vesting of restricted share units	[11]	103	618	-	-	(618)	-	-
Share based compensation	[11]	-	-	-	-	1,588	-	1,588
Balance at March 31, 2018		180,515	1,093,104	(57,668)	12,856	17,228	(208,501)	857,019

The accompanying notes form an integral part of these consolidated condensed interim financial statements.

KELT EXPLORATION LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS
[UNAUDITED]

		Three months ended March 31	
(CA$ thousands)	[Notes]	**2019**	2018
Operating activities			
Profit (Loss) and comprehensive income (loss)		**9,369**	(23)
Items not affecting cash:			
Accretion of convertible debentures	[8,14]	**1,036**	926
Accretion of decommissioning obligations	[9,14]	**784**	769
Share based compensation		**1,878**	1,588
Exploration and evaluation		**273**	1,490
Depletion and depreciation		**33,916**	38,729
Unrealized loss on derivative financial instruments	[12]	**2,629**	-
Unrealized gain on investment in securities		**(600)**	
Unrealized gain on foreign exchange		**(38)**	(6)
Premium on flow-through shares		**-**	(1,042)
Gain on sale of assets	[4]	**(1,375)**	(128)
Deferred income tax expense		**3,587**	3,421
Settlement of decommissioning obligations	[9]	**(1,096)**	(587)
Change in non-cash operating working capital	[16]	**3,450**	8,526
Cash provided by operating activities		**53,813**	53,663
Financing activities			
Increase in bank debt		**24,441**	31,294
Issue of common shares, net of costs	[11]	**-**	(35)
Proceeds on exercise of stock options	[11]	**13**	9,778
Payments on lease liability	[10]	**(320)**	-
Cash provided by provided by financing activities		**24,134**	41,037
Investing activities			
Exploration and evaluation assets	[5]	**(468)**	(33,744)
Property, plant and equipment	[6]	**(104,458)**	(56,633)
Property acquisitions	[4]	**(3,002)**	(1,907)
Property dispositions	[4]	**(34)**	247
Investment in securities	[12]	**-**	(1,000)
Change in non-cash investing working capital	[16]	**26,694**	(1,883)
Cash (used in) investing activities		**(81,268)**	(94,920)
Foreign exchange on cash and cash equivalents		**38**	6
Net change in cash and cash equivalents		**(3,321)**	(220)
Cash and cash equivalents, beginning of period		**6,455**	3,695
Cash and cash equivalents, end of period		**3,172**	3,481

The accompanying notes form an integral part of these consolidated condensed interim financial statements.

(All tabular amounts in thousands of Canadian dollars, except as otherwise indicated)

1. DESCRIPTION OF THE BUSINESS

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, primarily in northwestern Alberta and northeastern British Columbia. Kelt's land holdings are located in two core areas, namely: (a) Grande Prairie (including Pouce Coupe, Wembley, Progress and La Glace), Alberta; and (b) Fort St. John (including Inga, Fireweed, Stoddart and Oak), British Columbia. The Company's British Columbia assets are operated by Kelt Exploration (LNG) Ltd.), a wholly owned subsidiary of Kelt. The Company's common shares and 5% convertible debentures are listed on the Toronto Stock Exchange ("TSX") under the symbol "KEL" and "KEL.DB", respectively.

The head office of Kelt is located at Suite 300, 311 - 6th Avenue S.W., Calgary, Alberta T2P 3H2.

2. BASIS OF PRESENTATION

The Company's Board of Directors approved and authorized these consolidated condensed interim financial statements on May 7, 2019 for issue on May 8, 2019.

a) Statement of compliance

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in the *CPA Canada Handbook - Accounting*. These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of interim financial statements, including IAS 34 *Interim Financial Reporting*. Certain disclosures included in the notes to the annual financial statements have been condensed in the following note disclosures or have been disclosed on an annual basis only. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the audited consolidated annual financial statements as at and for the year ended December 31, 2018.

b) Basis of measurement

All references to dollar amounts in these financial statements and related notes are thousands of Canadian dollars, unless otherwise indicated.

The financial statements have been prepared on a historical cost basis, except for certain financial instruments which are recorded at fair value. The methods used to measure fair values are described in note 12 of these financial statements.

c) 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, 2018 consolidated annual financial statements. There have been no significant changes in the Company's judgments and estimates applied during the interim period ended March 31, 2019 relative to those described in the most recent annual financial statements as at and for the year ended December 31, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Company are described in note 3 of the December 31, 2018 consolidated annual financial statements. Except as outlined below, these condensed consolidated interim financial statements as at March 31, 2019 have been prepared following the same accounting policies and methods of computation as the most recent consolidated annual financial statements as at and for the year ended December 31, 2018.

Income tax expense for an interim period is based on an estimated average annual effective income tax rate.

New Accounting Policies

The Company adopted IFRS 16 *Leases* ("IFRS 16") with a date of initial application of January 1, 2019. IFRS 16 replaces IAS 17 *Leases* ("IAS 17") and other related interpretations. Under IFRS 16, lessees must recognize a lease liability and a right-of-use asset for most lease arrangements previously recognized as an operating lease under IAS 17. On adoption, the Company's lease liabilities were measured at the present value of the remaining lease payments discounted using the Company's incremental borrowing rate on January 1, 2019 of 5.9%. Right-of-use assets were measured at an amount equal to the lease liability or, if IFRS 16 had been applied from the lease commencement date, using the Company's incremental borrowing rate on January 1, 2019.

The Company used the modified retrospective approach to adopt the new standard, which does not require restatement of prior period financial information as it recognizes any cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively. The recognition of the present value of minimum lease payments for certain contracts previously classified as operating leases resulted in increases to assets, liabilities, depletion depreciation and amortization, and finance expense, and decreases to production and general and administrative expenses.

The financial impact of initially applying the standard resulted in an increase of $2.7 million in right-of-use assets (included in property, plant and equipment, note 5), an increase of $2.9 million in lease liability (note 10) and a $0.2 million adjustment to retained earnings.

On adoption, the Company elected to use the following practical expedients:

- Apply a single discount rate to a portfolio of leases with similar characteristics;
- Use of hindsight in determining lease terms; and
- Apply the short term lease exemption for leases with lease terms less than one year

The following table provides a reconciliation of the commitments as at December 31, 2018 to the Company's lease liabilities as at January 1, 2019:

	Total
Operating lease - office buildings	**4,544**
Operating lease - vehicles	**946**
Total operating leases included in commitments as at December 31, 2018	**5,490**
Less:	
Non-Lease components	**(2,646)**
Add:	
Finance lease liabilities not previously recognized in future commitments	**348**
Undiscounted lease liability as at January 1, 2019	**3,192**
Impact of discounting	**(304)**
Present value of lease liability as at January 1, 2019	**2,888**

4. PROPERTY ACQUISITIONS AND DISPOSITIONS

The following table summarizes the fair value of net assets acquired pursuant to property acquisitions during the three months ended March 31, 2019 and the year ended December 31, 2018.

Net assets acquired (1)	**March 31, 2019**	December 31, 2018
Exploration and evaluation assets	**4,452**	2,976
Property, plant and equipment	**253**	496
Decommissioning obligations	**(297)**	(612)
Total assets acquired	**4,408**	2,860

Consideration (1)	**March 31, 2019**	December 31, 2018
Cash consideration	**3,002**	2,860
Non-cash consideration	**1,406**	-
Total consideration	**4,408**	2,860

(1) Net assets acquired include the impact of non-cash asset swap transactions in which $1.4 million of exploration and evaluation assets were exchanged for assets with a net book value of $28k.

During the quarter ended March 31, 2019, the Company acquired certain oil and gas assets which included undeveloped land of $4.5 million, developed land of $0.3 million, and decommissioning obligations of $0.3 million. The net assets acquired and the liabilities assumed were recorded at fair value on the acquisition date of $4.4 million, and included cash consideration of $3.0 million and non-cash swap transactions of $1.4 million.

The table below summarizes the aggregate proceeds received and carrying values of the assets and associated decommissioning obligations disposed during the first three months of 2019 and year ended December 31, 2018, as well as the resulting net gain (loss) on sale in each period:

	March 31, 2019	December 31, 2018
Exploration and evaluation assets	**(28)**	(122)
Property, plant and equipment (1)	**31**	(8,914)
Decommissioning obligations	**-**	2,528
Carrying value of net assets (liabilities) disposed	**3**	(6,508)
Cash consideration, after closing adjustments (2)	**(34)**	10,070
Non-cash consideration (2)	**1,406**	-
Total consideration	**1,372**	10,070
Gain (loss) on sale of assets (3)	**1,375**	3,562

(1) The adjustment to property plant and equipment in the first quarter of 2019 relates to the final closing adjustments for the Leduc disposition in 2018 with the carrying value of the Leduc CGU reduced to nil.

(2) Net assets acquired include the impact of non-cash asset swap transactions in which $1.4 million of exploration and evaluation assets were exchanged for assets with a net book value of $28k resulting in a gain of sale of assets of $1.4 million.

(3) The amounts reported in the table above were estimated based on information available at the time of preparation of these interim financial statements. In particular, closing adjustments were estimated based on an interim statement of adjustments. The actual gain or loss recognized by the Company will be based upon determination of final closing adjustments which may differ from these estimates.

During the first quarter of 2019 the Company completed minor dispositions of non-core properties with a fair value of $1.4 million and a gain on sale of $1.4 million.

Karr Non-Operated Disposition

On December 20, 2018, the Company completed the disposition of its non-operated assets in the Karr area for $7.1 million after closing adjustments. The Karr non-operated assets had a net carrying value of $3.7 million (costs of $10.9 million, accumulated depletion, depreciation and impairment of $6.5 million, and abandonment obligations of

$0.7 million), resulting in a gain on sale of $3.4 million.

Leduc Disposition

On July 31, 2018, the Company completed the disposition of the Leduc-Woodbend CGU, a non-core oil weighted property for $2.6 million after closing adjustments. The Leduc-Woodbend CGU had a net carrying value of $2.6 million (costs of $25.1 million, accumulated depletion, depreciation and impairment of $20.7 million, and abandonment obligations of $1.8 million), resulting in a gain on sale of $0.05 million. In the second quarter of 2018, the Leduc-Woodbend CGU was impaired by $3.0 million based on the sale in the third quarter of 2018.

5. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation ("E&E") assets consist of the Company's undeveloped land, geological and geophysical assets, and exploratory drilling costs for projects in which the technical feasibility or commercial viability has yet to be determined. At the time sufficient information becomes available to determine whether the project is technically feasible or commercially viable, which is generally the point at which proved reserves are discovered, the costs are either transferred to property, plant, and equipment ("PP&E") or charged to exploration and evaluation expense.

The following table reconciles movements of exploration and evaluation assets:

	March 31, 2019	December 31, 2018
Balance, beginning of period	**119,282**	123,349
Additions	**468**	44,283
Property acquisitions [note 4]	**4,452**	2,976
Property dispositions [note 4]	**(28)**	(122)
Transfers to property, plant and equipment	**(683)**	(45,993)
Expired mineral leases	**(273)**	(5,211)
Balance, end of period	**123,218**	119,282

The Company concluded that there are no indicators of potential impairment of its E&E assets at March 31, 2019.

6. PROPERTY, PLANT AND EQUIPMENT

Net carrying value	**March 31, 2019**	December 31, 2018
Development and production ("D&P") assets	**1,334,040**	1,245,178
Right-of-use ("ROU") assets	**2,711**	-
Corporate assets	**436**	511
Total net carrying value of property, plant and equipment	**1,337,187**	1,245,689

The following table reconciles movements of property, plant and equipment ("PP&E") during the period:

Property, plant and equipment, at cost	D&P Assets	Corporate Assets	ROU Assets	Total PP&E
Balance at December 31, 2017	1,613,129	3,267	-	1,616,396
Additions	247,663	762	-	248,425
Property acquisitions [note 4]	496	-	-	496
Property dispositions [note 4]	(36,222)	-	-	(36,222)
Decommissioning costs	7,584	-	-	7,584
Transfers from E&E	45,993	-	-	45,993
Balance at December 31, 2018	**1,878,643**	**4,029**	**-**	**1,882,672**
Initial adoption of IFRS 16 [note 3]	**-**	**-**	**2,666**	**2,666**
Additions	**104,345**	**113**	**449**	**104,907**
Property acquisitions [note 4]	**253**	-	**-**	**253**
Property dispositions [note 4]	**31**	**-**	**-**	**31**
Decommissioning costs	**16,874**	**-**	**-**	**16,874**
Transfers from E&E	**683**	**-**	**-**	**683**
Balance at March 31, 2019	**2,000,829**	**4,142**	**3,115**	**2,008,086**

Accumulated depletion, depreciation and impairment	D&P Assets	Corporate Assets	ROU Assets	Total PP&E
Balance at December 31, 2017	505,414	2,910	-	508,324
Depletion and depreciation expense	144,691	608	-	145,299
Property dispositions [note 4]	(27,308)	-	-	(27,308)
Impairments	10,668	-	-	10,668
Balance at December 31, 2018	**633,465**	**3,518**	**-**	**636,983**
Depletion and depreciation expense	**33,324**	**188**	**404**	**33,916**
Balance at March 31, 2019	**666,789**	**3,706**	**404**	**670,899**

Future capital costs required to develop proved reserves in the amount of $847.4 million (December 31, 2018 – $871.5 million) are included in the depletion calculation for development and production assets.

The following table discloses depreciation expense and carrying amount for right-of-use assets by class of underlying asset as at and for the period ended March 31, 2019:

	Depreciation	**Carrying amount**
Office leases	**101**	1,385
Vehicle leases	**132**	802
Field equipment leases	**171**	171
Surface leases	**-**	353
Total	**404**	2,711

7. BANK DEBT

	March 31, 2019	December 31, 2018
Bankers' acceptances	**195,000**	170,000
Unamortized financing fees	**(1,678)**	(1,119)
Bank debt	**193,322**	168,881

The Company has a revolving committed term credit facility ("the Credit Facility") with a syndicate of financial institutions. At the end of the first quarter of 2019, the Company and its lenders completed the semi-annual review and amended the Credit Facility to extend the current revolving period to April 30, 2020, and authorized an increase to the borrowing base to $315 million, up $65 million from December 31, 2018. The Credit Facility may be extended annually at Kelt's option and subject to lender approval, with a 364 day term-out period if not renewed.

The Credit Facility is subject to semi-annual borrowing base reviews, occurring approximately in April and October of each year. In the event that the lenders reduce the borrowing base below the amount drawn at the time of the redetermination, the Company would have 60 days to eliminate any borrowing base shortfall by repaying the amount drawn in excess of the re-determined borrowing base or by providing additional security or other consideration satisfactory to the lenders. 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.

There are no financial covenants under the Credit Facility and Kelt is in compliance with all other covenants.

Interest is payable monthly for borrowings through direct advances. Interest rates fluctuate based on a pricing grid and range from bank prime plus 0.5% to bank prime plus 2.5%, depending upon the Company's debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio of between less than 0.5 times to greater than three times. Under the Credit Facility, borrowings through the use of bankers' acceptances are also available. Stamping fees fluctuate based on a pricing grid and range from 1.5% to 3.5%, depending upon the Company's debt to EBITDA ratio of between less than 0.5 times to greater than three times.

The following table reconciles movements in the balance of bank debt during the year:

	March 31, 2019
Bank debt balance, beginning of year	**168,881**
Net debt drawdown	**25,000**
Decrease in unamortized financing fees	**95**
Increase in prepaid interest on bankers acceptances	**(654)**
Net bank debt movement	**24,441**
Bank debt balance, end of year	**193,322**

8. CONVERTIBLE DEBENTURES

	Number of convertible debentures	Liability component ($ thousands)	Equity Component ($ thousands)
Balance at December 31, 2017	90,000	74,517	12,856
Conversion of convertible debentures to equity	(90)	(76)	(13)
Accretion of discount	-	3,949	-
Balance at December 31, 2018	**89,910**	**78,390**	**12,843**
Accretion of discount	**-**	**1,036**	**-**
Balance at March 31, 2019	**89,910**	**79,426**	**12,843**

The Company has $89.9 million principal amount of convertible unsecured subordinated debentures outstanding as at March 31, 2019. The Debentures mature on May 31, 2021 (the "Maturity Date") and bear interest at 5.0% per annum payable semi-annually on May 31st and November 30th. At the holder's option, the Debentures may be converted into common shares of the Company at any time prior to the close of business on the earlier of the business day immediately preceding (i) the Maturity Date, (ii) if called for redemption, the date fixed for redemption by the Company, or (iii) if called for repurchase in the event of a change of control, the payment date, at a conversion price of $5.50 per share (the "Conversion Price").

The Debentures are redeemable by the Company after May 31, 2019 and prior to May 31, 2020, in whole or in part, on not more than 60 days and not less than 40 days prior notice at a redemption price equal to their principal amount plus accrued and unpaid interest provided that the volume weighted average trading price of the common shares on the TSX for the 20 consecutive trading days ending five trading days (the "Current Market Price") prior to the date on which notice of redemption is provided is at least 125% of the Conversion Price. On or after May 31, 2020 and prior to the Maturity Date, the Debentures may be redeemed by the Company, in whole or in part on not more than 60 days and not less than 40 days prior notice at a redemption price equal to their principal amount plus accrued and unpaid interest.

The Company may elect to repay all or any portion of the principal amount of the Debentures upon redemption or due at maturity, by issuing common shares instead of cash (subject to the receipt of any required regulatory approvals and provided that no event of default has occurred). The number of common shares to be issued is obtained by dividing the principal amount of the Debentures by 95% of the Current Market Price on the redemption or maturity date.

Accretion of the liability component and accrued interest payable on the Debentures are included in financing expenses in the Consolidated Statement of Profit (Loss) and Comprehensive Income (Loss) (note 14). At March 31, 2019, the fair value of the Debentures was $108.8 million (note 12).

9. DECOMMISSIONING OBLIGATIONS

Decommissioning obligations arise as a result of the Company's net ownership interests in petroleum and natural gas assets including well sites, processing facilities and infrastructure. The following table provides a reconciliation of the carrying amount of the obligation associated with the retirement of oil and gas properties:

	March 31, 2019	December 31, 2018
Balance, beginning of period	**144,667**	136,928
Obligations incurred	**1,702**	8,244
Obligations acquired [note 4]	**297**	612
Obligations disposed [note 4]	**-**	(2,528)
Obligations settled	**(1,096)**	(1,122)
Changes in discount rate	**13,765**	4,786
Revisions to estimates	**1,407**	(5,446)
Accretion expense	**784**	3,193
Balance, end of period	**161,526**	144,667
Decommissioning obligations – current	**1,317**	904
Decommissioning obligations – non-current	**160,209**	143,763
Key assumptions		
Risk free rate	**1.90%**	2.18%
Inflation rate	**2.0%**	2.0%

The underlying cost estimates are derived from a combination of published industry benchmarks as well as site specific information. As at March 31, 2019, the undiscounted amount of the estimated cash flows required to settle the obligation is $155.6 million (December 31, 2018 – $153.4 million), and is expected to be incurred over the next 50 years. Based on an inflation rate of 2.0%, the undiscounted amount of the estimated future cash flows required to settle the obligation is $307.3 million at March 31, 2019 (December 31, 2018 – $303.1 million). The inflated future cost estimates are discounted based on a risk-free rate to determine the carrying amounts presented in the table above.

Accretion of the decommissioning obligation due to the passage of time is presented within financing expenses in the Consolidated Statement of Profit (Loss) and Comprehensive Income (Loss) (note 14).

10. LEASE LIABILITY

	March 31, 2019
Balance, beginning of period [note 3]	**2,888**
Additions	**449**
Interest expense	**41**
Lease payments	**(361)**
Balance, end of period	**3,017**
Lease liability – current	**1,025**
Lease liability – non-current	**1,992**

The Company has lease liabilities for contracts related to drilling rigs, office space, field equipment, surface leases, and vehicle leases. The weighted average discount rate for the three months ended March 31, 2019 was 5.9 percent. Payments under the Company's short term leases were $2.3 million in the first quarter of 2019.

11. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, each without par value.

Issued and outstanding

The following table summarizes the change in common shares issued and outstanding. There are no preferred shares issued or outstanding as of March 31, 2019 (December 31, 2018 – nil).

	Number of Shares (000s)	Amount ($ thousands)
Balance at December 31, 2017	178,858	1,078,773
Issued for cash through common share offerings	2,758	24,776
Deferred premium on flow-through shares	-	(3,099)
Conversion of convertible debentures to common shares	16	76
Transfer from equity component of convertible debentures on conversion of convertible debentures to common shares	-	13
Issued for cash on exercise of stock options	2,081	12,687
Transfer from contributed surplus on exercise of stock options	-	5,007
Released upon vesting of restricted share units	290	1,606
Share issue costs, net of deferred taxes ($224)	-	(607)
Balance at December 31, 2018	**184,003**	**1,119,232**
Issued for cash on exercise of stock options	**4**	**13**
Transfer from contributed surplus on exercise of stock options	**-**	**5**
Released upon vesting of restricted share units	**38**	**154**
Balance at March 31, 2019	**184,045**	**1,119,404**

Flow-through common shares

Canadian tax legislation permits entities meeting specified criteria to issue flow-through common shares securities ("FTS") to investors whereby the deductions for tax purposes related to eligible expenditures may be claimed by the investors rather than by the entity. As of December 31, 2018 all eligible expenditures for the Company's flow through shares issued in 2018 and in prior years have been incurred, and no FTS were issued in the first quarter of 2019.

Stock options

Kelt has an Incentive Stock Option Plan (the "Option Plan") that provides for granting of stock options to directors, officers, employees and certain consultants. The stock options granted pursuant to the Option Plan are to be settled through the issuance of new common shares of the Company which typically vest in equal tranches over a three year period and have a maximum term of five years to expiry.

The following table summarizes the change in stock options outstanding:

	Number of Options (000s)	Average Exercise Price ($/share)
Balance at December 31, 2017	9,894	6.51
Granted	2,590	5.29
Exercised (1)	(2,081)	6.10
Forfeited	(247)	6.94
Expired	(353)	8.42
Balance at December 31, 2018	**9,803**	**6.20**
Granted	**61**	**5.13**
Exercised (1)	**(4)**	**3.25**
Forfeited	**(45)**	**5.03**
Expired	**(759)**	**12.01**
Balance at March 31, 2019	**9,056**	**5.72**

(1) The weighted average share price on the date stock options were exercised during the period ended March 31, 2019 was $5.72 per common share ($7.74 per common share on average during the year ended December 31, 2018).

The total fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions as follows:

	Three months ended March 31	
	2019	2018
Risk free interest rate	**1.85**	1.8%
Expected life (years)	**4.2**	3.0
Expected volatility (1)	**46.0%**	49.9%
Expected dividend yield	**0.0%**	0.0%
Expected forfeiture rate	**4.8%**	4.6%
Fair value of options granted during the year ($/share)	**1.96**	2.38

(1) The expected volatility for options granted is estimated based on Kelt's historical share price volatility.

The following table summarizes information regarding stock options outstanding at March 31, 2019:

Range of exercise prices per common share	Number of options outstanding (000s)	Weighted average remaining term (years)	Weighted average exercise price for options outstanding ($/share)	Number of options exercisable (000s)	Weighted average exercise price for options exercisable ($/share)
$0.00 to $5.00	5,054	3.1	4.63	2,333	4.48
$5.01 to $10.00	3,747	2.7	6.66	1,853	6.74
$10.01 to $15.00	195	0.2	12.77	195	12.77
$15.01 to $20.00	60	0.2	15.40	60	15.40
Total	**9,056**	**2.9**	**5.72**	**4,441**	**5.94**

Restricted share units

Kelt has a restricted share unit plan that provides for granting of restricted share units ("RSUs") to officers, employees and certain consultants. The RSUs granted under the RSU Plan are to be settled through the issuance of new common shares upon vesting. RSUs typically vest in two equal tranches with the first half vesting after two years and the second half after three years.

The following table summarizes the change in RSUs outstanding:

	Number of RSUs (000s)
Balance at December 31, 2017	793
Granted	625
Released upon vesting	(290)
Forfeited	(31)
Balance at December 31, 2018	**1,097**
Granted	**9**
Released upon vesting	**(38)**
Forfeited	**(12)**
Balance at March 31, 2019	**1,056**

Share based compensation expense

The total fair value associated with stock options and RSUs is recognized over the service period using graded vesting, resulting in share based compensation expense as follows:

	Three months ended March 31	
	2019	2018
Stock options	**1,116**	**1,142**
Restricted share units	**762**	**446**
Total share based compensation expense	**1,878**	**1,588**

Per share amounts

The table below summarizes the weighted average number of common shares outstanding used in the calculation of basic and diluted profit (loss) per common share:

	Three months ended March 31	
(000s of common shares)	**2019**	2018
Weighted average common shares outstanding, basic	**184,017**	180,125
Effect of stock options and RSUs	**600**	1,581
Weighted average common shares outstanding, diluted	**184,617**	181,706

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 profit per common share. Accordingly, in computing the diluted profit or loss per common share for the periods ended March 31, 2019 and 2018, the Company excluded the effect of stock options and RSUs as they were anti-dilutive. The common shares potentially issuable on conversion of the Debentures are also excluded as they were determined to be anti-dilutive for the quarter ended March 31, 2019.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments of the Company include cash and cash equivalents, accounts receivable and accrued revenue, deposits, investments in securities, accounts payable and accrued liabilities, derivative financial instruments, convertible debentures, and bank debt. The Company is exposed to financial risks arising from its financial assets and liabilities that include credit and liquidity risk in addition to the market risks associated with commodity prices, and interest and foreign exchange rates. Profit (loss), cash flows and the fair value of financial assets and liabilities may fluctuate due to movement in market prices or as a result of the Company's exposure to credit and liquidity risks.

The Company uses derivative financial instruments from time to time in order to manage market risks. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing long-term returns. All such transactions are conducted in accordance with the Company's established risk management policies that permit management to enter into commodity price agreements, provided that:

i) the contracts are not entered into for speculative purposes;
ii) the total notional quantity hedged, at the time of entering into the contract, does not exceed 65% of average daily production; and
iii) the contracted term does not exceed 36 months.

Commodity price risk

Inherent to the business of producing oil and gas, the Company's cash provided by operating activities 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 many factors including regional and world economic events that dictate the levels of supply and demand, local and international market access issues, and the currency exchange rate relationship between the Canadian and U.S. dollar.

As at March 31, 2019, the following commodity price risk management contracts outstanding:

Contract Type	Notional Volume	Reference Prices	Fixed Contract Price	Term
Financial Swap Natural Gas	10,000 MMBtu/d	NYMEX to Chicago Citygate Basis Differential	NYMEX Henry Hub less USD$0.14 per MMBtu	January 2019 to October 2019
Financial Swap Natural Gas	10,000 MMBtu/d	NYMEX to Union Dawn Basis Differential	NYMEX Henry Hub less USD$0.0975 per MMBtu	January 2019 to December 2019

Interest rate risk

The Company is exposed to interest rate risk to the extent that changes in market interest rates will impact the Company's Credit Facility which is subject to a floating interest rate. Based on average bank debt outstanding of $184.1 million during the first quarter of 2019, an increase (decrease) in the market rate of interest by 25 basis points would have increased (decreased) interest expense by $0.5 million.

As at March 31, 2019, 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 at March 31, 2019, the following foreign exchange risk management contracts outstanding:

Contract Type	Notional Amount per month	Fixed Contract Price	Term
FX swap	US$1,000,000	CA$/US$ 1.3050	January 2019 to December 2019

Gains and losses on risk management contracts

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

	Three months ended March 31	
	2019	2018
Realized loss	**(812)**	-
Unrealized loss	**(2,629)**	-
Loss on derivative financial instruments	**(3,441)**	-

Fair value measurements

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company maximizes the use of observable inputs when preparing calculations of fair value, where possible. The fair value hierarchy has the following levels:

- Level 1 - Values are based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 - Values are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.
- Level 3 - Values are based on prices or valuation techniques that are not based on observable market data.

Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

The fair value of cash and cash equivalents, accounts receivable and accrued revenue, deposits, accounts payable and accrued liabilities approximate their carrying value due to the short term to maturity of these instruments. Bank debt bears interest at a floating market rate and accordingly the fair market value of bank debt approximates the carrying amount. The fair value of the convertible debentures is estimated using quoted market prices on the TSX as of the Consolidated Statement of Financial Position date.

The fair value of financial assets and liabilities, excluding working capital, is attributable to the following fair value hierarchy levels at March 31, 2019:

	Carrying Value ("CV")			Fair Value		
	Gross	Netting[1]	Net CV	Level 1	Level 2	Level 3
Financial assets						
Derivative financial instrument	209	-	-	-	209	-
Investment in securities	1,600	-	-	-	-	1,600
Financial liabilities						
Derivative financial instrument	242	-	-	-	242	-
Convertible debentures [note 8]	79,426	-	-	108,791	-	-

(1) Financial assets and liabilities are only offset if the Company has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously. Kelt offsets derivative contracts assets and liabilities when the counterparty, commodity, currency and timing of settlement are the same.

Kelt's investment in securities includes an investment in a private corporation entered into during the first quarter of 2018. The estimated fair value of the Company's investments in the shares of private companies is based on equity issuances and other indications of value from time-to-time (level three fair value hierarchy inputs). During the first quarter of 2019 the Company recognized a gain of its investment in securities of $0.6 million as a result of an equity issuance.

The fair value of the convertible debentures of $108.8 million as at March 31, 2019, is based on the closing market price of $121.00 per Debenture, being the price at which the Debentures last traded in the year, and represents the market value of the entire instrument. As at December 31, 2018, the fair value was $99.6 million based on the closing market price of $110.73 per Debenture.

Credit Risk

As at March 31, 2019, the carrying amount of cash and cash equivalents, accounts receivable and accrued revenue, and deposits, represent the Company's maximum credit exposure. Cash and cash equivalents are held on deposit with a Canadian chartered bank. The Company's credit risk exposure arises primarily from receivables from oil and gas marketers and joint venture partners.

The composition of the Company's accounts receivable is set out in the following table:

Accounts receivable and accrued revenue	**March 31, 2019**	December 31, 2018
Joint venture partners	**2,991**	3,672
Oil and gas marketers	**38,704**	35,129
GST input tax credits	**6,692**	4,559
Risk management contracts	**125**	-
Other	**63**	2,820
Accounts receivable and accrued revenue	**48,575**	46,180

During the quarter ended March 31, 2019, sales to three oil and gas marketers each individually represented more than 10% of total revenue. Sales to these marketers account for approximately 31%, 27%, and 11%, of total revenue, respectively. During the comparative period ended December 31, 2018, sales to three oil and gas marketers accounted for approximately 40%, 18%, and 11% of total revenue, respectively. Kelt's oil and gas marketers have provided parental guarantees (with terms ranging from two to five years), or have been rated investment-grade by a reputable ratings agency for substantially all of the Company's monthly credit exposure.

The oil and gas industry has a pre-arranged monthly clearing day for payment of revenues from all buyers of oil and natural gas; this occurs on the 25th day following the month of sale. As a result, the Company's production revenues are current. All other accounts receivable are generally contractually due within 30 days.

The balance of accounts receivable outstanding for more than 90 days relates primarily to receivables from the Company's joint venture partners. Credit risk related to joint venture receivables is mitigated by obtaining partner approval of significant capital expenditures prior to expenditure and in certain circumstances may require cash deposits in advance of incurring financial obligations on behalf of joint venture partners. The Company has the ability to withhold production from joint venture partners in the event of non-payment or may be able to register security on the assets of joint venture partners.

The aging of the Company's accounts receivable and the loss allowance provision is determined as follows:

Accounts receivable and accrued revenue	Current	30-60 days	60-90 days	Over 90 days	Total
Gross accounts receivable	46,674	712	13	1,696	49,095
Estimated credit loss rate	0.3%	3.8%	7.3%	19.8%	
Loss allowance provision	(157)	(27)	(1)	(335)	(520)
Balance at March 31, 2019	**46,517**	**685**	**12**	**1,361**	**48,575**
Balance at December 31, 2018	43,537	932	585	1,126	46,180

The allowance provision as at March 31, 2019 reconciles to the opening loss allowance as at January 1, 2019 in the following table:

	Amount ($ thousands)
Allowance for doubtful accounts at January 1, 2018	666
Direct write-off (recovery) of amounts included in provision	(128)
Allowance for doubtful accounts at December 31, 2018	**538**
Provisions for potential credit losses through profit or loss	**(18)**
Loss allowance balance at March 31, 2019	**520**

During the quarter ended March 31, 2019, the Company's recognized a decrease in the loss allowance provision resulting in a recovery in the statement of Consolidated Statement of Profit (Loss) and Comprehensive Income of $0.018 million (December 31, 201 – recovery $0.1 million).

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's financial liabilities include accounts payable, derivative financial instruments, bank debt and convertible debentures. The Company manages liquidity risk through prudent use of bank debt and an actively managed production and capital expenditure budgeting process. In addition, risk management contracts such as derivative financial instruments may be used from time to time. As discussed further under the *Capital Management* section to follow, Kelt targets a relatively low debt to trailing adjusted funds from operations ratio. To manage this, the Board of Directors approves an annual capital expenditure budget, which is regularly monitored and updated as necessary in response to changing capital requirements.

The capital intensive nature of Kelt's operations may create a working capital deficiency position during periods with high levels of capital investment. However, during such periods, the Company maintains sufficient unused bank credit lines to satisfy such working capital deficiencies. As at March 31, 2019, the Company's working capital deficit of $65.3 million combined with outstanding bank debt of $193.3 million, represented 82% of the authorized borrowing amount available under the Credit Facility of $315.0 million (up from 79% at December 31, 2018). The Credit Facility is available for a revolving period of 364 days, maturing on April 30, 2020, and may be extended annually at Kelt's option and subject to lender approval, with a 364 day term-out period if not renewed.

The table below outlines a contractual maturity analysis for Kelt's financial liabilities as at March 31, 2019:

	Within 1 Year	1 to 5 Years	More than 5 Years	**Total**
Accounts payable and accrued liabilities	115,667	-	-	**115,667**
Derivative financial instruments	242	-	-	**242**
Bank debt and estimated interest(1)	7,733	193,322	-	**201,055**
Convertible debentures(2)	4,508	95,157	-	**99,665**
Lease liability	1,025	1,864	128	**3,017**
Total	**129,175**	**290,343**	**128**	**419,646**

(1) Estimated interest for future periods related to the Credit Facility was calculated using the weighted average interest rate of 4.0% for the quarter ended March 31, 2019, applied to the principal balance outstanding as at that date. For purposes of this analysis, principal repayment of the Company's revolving Credit Facility is assumed to occur on April 30, 2020.

(2) The contractual maturity analysis includes semi-annual cash interest payments at the fixed coupon rate of 5.0%, assuming that the $89.9 million principal amount of the Debentures is outstanding for the full term to maturity on May 31, 2021, provided that: the equity conversion option is not first exercised by the holder; and that the Company does not elect to settle its financial obligation by issuing common shares instead of cash at redemption or maturity. Refer to additional information regarding the Debentures in note 8.

Capital Management

The Company's capital structure is comprised of shareholders' capital, convertible debentures, bank debt and working capital. Kelt's objectives when managing its capital structure is to maintain financial flexibility in order to meet financial obligations, as well as to finance future growth through capital expenditures relating to exploration, development and acquisition activities.

The Company monitors its capital structure and short-term financing requirements using a net bank debt to trailing adjusted funds from operations ratio, which is a non-GAAP financial measure.

	March 31, 2019	December 31, 2018
Bank debt	**193,322**	168,881
Working capital deficiency	**65,029**	27,535
Net debt (1)	**258,351**	196,416
Trailing annualized adjusted funds from operations (2)(3)	**205,764**	186,839
Net bank debt to trailing adjusted funds from operations ratio (1)	**1.3**	1.1

(1) "Net debt" is equal to "Bank debt, net of working capital" determined in accordance with GAAP.

(2) Adjusted funds from operations is a non-GAAP financial measure which is calculated as cash provided by operating activities before changes in non-cash operating working capital, and adding back (if applicable): transaction costs, provisions for potential credit losses, and settlement of decommissioning obligations.

(3) Trailing adjusted funds from operations is annualized based on the most recent quarter's adjusted funds from operations.

Kelt targets a net bank debt to trailing adjusted funds from operations ratio of less than 2.0 times. The Company manages its capital structure and makes adjustments according to market conditions in order to maintain flexibility to achieve its objectives stated above. To adjust its capital structure, the Company may increase or decrease capital expenditures, issue new shares, issue new debt or repay existing debt.

The Company's net bank debt to trailing adjusted funds from operations ratio of 1.3 times increased as at March 31, 2019 from 1.1 times at December 31, 2018.

As more particularly described in note 7, Kelt is subject to certain non-financial covenants under the Credit Facility agreement. As at March 31, 2019, the Company is in compliance with all covenants. The Company is not subject to any other externally imposed capital requirements.

13. REVENUE

Kelt sells its oil, natural gas, and NGLs production pursuant to variable price contracts. The transaction price is based on a benchmark commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula (apart from the benchmark commodity price) can be either fixed or variable, depending on the contract terms. Revenues are typically collected on the 25th day of the month following the prior month's production, with revenue being recorded once the product is delivered to a contractually agreed upon delivery point.

Kelt generates oil treating, gas processing, and other services income from fees charged to third parties provided at facilities where Kelt has an ownership interest. Kelt generates marketing revenue from the sales of third party volumes related to the Company's oil blending operations, with the production being sold under the same terms of the Company's variable oil price contracts discussed above.

Where Kelt is the principal to transportation arrangements, gas production sales includes revenue for variable priced contracts after the point where title is transferred to a third party. The transaction price for these contracts is based on benchmark commodity prices at a location that is different from the price at which title transfer takes place. For the quarter ending March 31, 2019, transportation costs incurred in relation to these contracts was $6 million.

Kelt has a number of variable priced long term commodity sales contracts where the volumes under these contracts for future periods have not yet been fulfilled resulting in unsatisfied performance obligations as at the reporting date. These contracts have varying durations, with the longest individual commodity sales contract ending in October 2020.

The following table presents Kelt's production disaggregated by revenue source:

	Three months ended March 31	
	2019	**2018**
Revenue, before royalties and financial instruments:		
Oil production	**45,909**	51,418
Oil treating and other	**190**	592
NGLs production	**8,854**	9,459
Gas production	**39,188**	25,410
Gas processing and other	**281**	604
Marketing revenue	**8,163**	2,510
Total revenue	**102,585**	89,993

Included in accounts receivable at March 31, 2019 is $38.7 million (December 31, 2018 - $35.1 million) of accrued oil and gas sales related to March 2019 production.

14. FINANCING EXPENSES

The following table summarizes significant components of the Company's financing expenses:

	Three months ended March 31	
	2019	2018
Interest on bank debt [note 7]	**1,998**	**1,230**
Interest on convertible debentures [note 8]	**1,108**	**1,110**
Interest on finance leases [note 10]	**41**	**-**
Accretion of convertible debentures [note 8]	**1,036**	**926**
Accretion of decommissioning obligations [note 9]	**784**	**769**
Financing expense	**4,967**	**4,035**

15. COMMITMENTS

As of March 31, 2019, the Company is committed to future payments under the following agreements:

	2019	2020	2021	2022	2023	Thereafter
Firm processing commitments	10,511	13,386	19,481	20,429	19,073	106,952
Firm transportation commitments (1)	33,498	27,515	23,001	22,304	19,423	157,145
Total annual commitments	**44,009**	**40,901**	**42,482**	**42,733**	**38,496**	**264,097**

(1) A portion of Kelt's commitments on the Alliance pipeline are denominated in US dollars. The volumes committed vary over the term of the contract, which is effective until October 31, 2020, respectively. Amounts are translated to Canadian dollars at the spot rate on March 29, 2019 of CA$/US$1.3363.

On January 1, 2019, the Company adopted IFRS 16 which resulted in the recognition of lease liabilities related to operating leases on the balance sheet some of which were previously reported as commitments. See note 3 for a reconciliation from the commitments as at December 31, 2018 to Kelt's lease liabilities as at January 1, 2019.

16. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31	
Changes in non-cash working capital	**2019**	2018
Accounts receivable and accrued revenue	**(2,395)**	(2,825)
Prepaid expenses and deposits	**402**	19
Accounts payable and accrued liabilities	**32,137**	9,449
Change in non-cash working capital	**30,144**	6,643
Relating to:		
Operating activities	**3,450**	8,526
Investing activities	**26,694**	(1,883)
Change in non-cash working capital	**30,144**	6,643

During the reporting period, the Company made the following cash outlays in respect of interest and taxes:

	Three months ended March 31	
Cash outlays in respect of interest and taxes	**2019**	2018
Interest and standby fees on bank debt	**3,613**	1,842
Interest on convertible debentures (1)	**-**	-
Taxes (2)	**-**	-

(1) Interest on the Debentures is payable semi-annually on May 31st and November 30th (note 8).

(2) Kelt was not required to pay cash income taxes as the Company had sufficient income tax deductions available to shelter taxable income.

17. RELATED PARTY TRANSACTIONS

A director of the Company is also a partner at a law firm which Kelt has engaged to provide legal services. During the three months ended March 31, 2019, the Company incurred $0.2 million (2018 – $0.2 million) in legal fees and disbursements. The Company expects to continue using the services of this law firm from time to time.