



**MANAGEMENT'S DISCUSSION & ANALYSIS  
DECEMBER 31, 2011**

**President's Message:**

The Company drilled and completed its first two horizontal wells on the acquired Viking prospect in 2011. The first well was placed on production in July of 2011 and the second well was placed on production in February of 2012. Initial production results for the first well were above area expectations while the second well's results are lower than area expectations. The two wells are currently producing approximately 45 barrels of oil per day net to Relentless.

Although disappointed by the second well's results, Relentless is very encouraged by the overall results of the Loverna Viking property. Relentless has three additional licensed horizontal drilling locations and a minimum of eight unlicensed drilling locations identified to develop the lands with a drilling density of eight horizontal wells per section.

Relentless plans to use cash flow to pay down the Company's operating line until it has enough cash and operating lines to drill and complete a third well on the Loverna property in the third quarter of 2012.

Relentless closed a \$1,000,000 flow through share financing on October 31<sup>st</sup>, 2011 which consisted of 2,500,000 flow through common shares at \$0.40. Those funds were used for drilling our second Viking horizontal well.

Relentless plans to grow prudently for the remainder of the year. We remain committed to maintaining balance sheet strength. We have made great progress to date in repositioning Relentless for a promising future.

The management and Board of Directors would like to thank all shareholders for their continued support. For the remainder of 2012, we will continue to build on our accomplished objectives.

Yours truly,  
Dan Wilson  
President and CEO

## Nature of Business and Basis of Presentation

### Corporate Profile

Relentless Resources Ltd. (the "Relentless" or the "Company") is a Calgary, Alberta based junior oil and natural gas corporation, engaged in the exploration, development, acquisition and production of natural gas and medium to light gravity crude oil reserves in Alberta and Saskatchewan.

Relentless' common shares trade on the TSX Venture Exchange under the symbol RRL.

The Company's primary corporate objective is to achieve non-dilutive growth and enhance shareholder value through internal prospect development, strategic production acquisitions, and prudent financial management.

Relentless was incorporated as Open Range Capital Corp. under the *Business Corporations Act* (Alberta) on April 7, 2004. On March 30, 2006, a plan of arrangement involving Open Range Capital Corp., Siga Resources Limited and Open Range Resources Ltd. was consummated and marked the commencement of oil and natural gas operations for New Range Resources Ltd. (the "New Range"), the amalgamated company. Under the plan of arrangement, Open Range Resources Ltd. acquired all the issued and outstanding shares of Siga Resources Limited in exchange for cash, and immediately thereafter, New Range acquired all the issued and outstanding shares of Open Range Resources Ltd. in exchange for shares of New Range.

Effective September 9, 2010, New Range changed its name to Relentless Resources Ltd. and consolidated its share capital on a two for one basis. On September 11, 2010 the common shares began trading under the symbol RRL on the TSX Venture Exchange.

### ADVISORIES

Management's discussion and analysis ("MD&A") of Relentless Resources Ltd. (the "Relentless", the "Company", "we" or "our"), provided as of April 26, 2012, should be read in conjunction with the audited financial statements and related notes for the year ended December 31, 2011 of the Company and the audited financial statements and related notes and MD&A for the year ended December 31, 2010. The 2011 financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". Previously the Company prepared its interim and annual financial statements in accordance with Canadian generally accepted accounting principles ("previous GAAP"). The adoption of IFRS has not had an impact on the Company's operations, strategic decisions or cash flow from operations before changes in non-cash working capital. The reporting and measurement currency is the Canadian dollar.

*Basis of Presentation* - The financial data presented below has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The reporting and the measurement currency is the Canadian dollar.

*Non-GAAP Measurements* - The MD&A contains the term "funds generated by operations" and "funds generated by operations per share", which should not be considered an alternative to, or more meaningful than, net earnings or cash flow from operating activities as determined in accordance with GAAP as an indicator of the Company's performance. Relentless' determination of funds generated by operations and funds generated by operations per share may not be comparable to that reported by other companies. Management uses funds generated by operations to analyze operating performance and leverage and considers funds generated by operations to be a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investments and to repay debt. Funds generated by operations is calculated using cash flow from operating activities as presented in the statement of cash flows before settlement of asset retirement costs and non-cash working capital. Relentless presents funds generated by operations per share, which is also a non-GAAP measure. Per share amounts are calculated using weighted average shares outstanding consistent with the calculation of earnings per share. The following table

reconciles funds generated by operations to cash flow from operating activities which is the most directly comparable measure calculated in accordance with GAAP.

<i>(\$ thousands)</i>	Year ended December 31,	
	2011	2010
Cash from (used in) operating activities	\$ 630	\$ (204)
Changes in non-cash working capital	(84)	(116)
<b>Funds generated (used) by operations</b>	<b>\$ 546</b>	<b>\$ (320)</b>

Relentless uses certain industry benchmarks such as operating netback to analyze financial and operating performance. The benchmark as presented does not have any standardized meaning prescribed by IFRS and therefore may not be comparable with the calculation of similar measures for other entities.

Working capital, which is defined as current assets less current liabilities, is used to assess efficiency and financial strength.

*Presentation of boe* ó Relentless bases calculations of barrels of oil equivalent (øboeø) on a conversion rate of six thousand cubic feet (ømcfø) of natural gas to one barrel (øbblø) of crude oil. The boe unit may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf equals 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

*Forward-Looking Information* ó This MD&A contains forward-looking or outlook information with regard to Relentless. These statements relate to future events or our future performance and are based on Relentlessø current internal estimates, plans, budgets, expectation, forecasts, guidance or other statements that are not statements of fact. In some cases, words such as øplanø, øexpectø, øprojectø, øcontinueø, øbelieveø, øanticipateø, ømayø, øwillø, øpotentialø, øestimateø and other similar words, or statements are intended to identify forward-looking statements. Such statements represent Relentlessø internal projections, estimates and beliefs concerning, among other things, an outlook on the estimated amounts and timing of capital spending, anticipated future debt, revenues or other expectations, beliefs, plans, objectives assumptions, intentions or statements about future events or performance. Relentless believes the expectations reflected in such forward-looking statements are reasonable. However, no assurance can be given that such expectations will prove to be correct. These statements are subject to certain risks and uncertainties and may be based on assumptions that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements. Relentless cannot guarantee future results, levels of activity, performance or achievements.

Forward-looking statements in this MD&A include, but are not limited to, statements with respect to size of, and future net revenues from, crude oil and natural gas reserves; the focus of capital expenditures; expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development; the allocation and timing of capital spending and the Companyø ability to maintain flexibility in its capital program; land expiries; projections of market prices and costs; the performance characteristics of the Companyø crude oil and natural gas properties, including production levels and product mix.; Relentlessø future operating and financial results; available tax pools; supply and demand for crude oil and natural gas; expected royalty rates; governmental regulations and tax laws; accounting policies and adoption of new policies; and timing of implementation of International Financial Reporting Standards. Statements relating to øreservesø or øresourcesø are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described can be profitably produced in the future.

These statements are subject to certain risks and uncertainties and may be based on assumptions that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements. These risks include but are not limited to: crude oil and natural gas price volatility; exchange rate and interest rate fluctuations; availability of services and supplies; market competition; to employ and retain qualified personnel; uncertainties in the estimates of reserves; the timing of development expenditures; production levels and the timing of achieving

such levels; Relentless's ability to replace and expand oil and natural gas reserves; the sources and adequacy of funding for capital investments; the Company's future growth prospects and current and expected financial requirements; the cost of future reclamation and site restoration; Relentless's ability to enter into or renew leases and to secure adequate product transportation; changes in environmental and other regulations; general economic conditions and the ability to access capital from internal and external sources.

Management has included the above summary of assumptions and risks related to forward-looking information provided in this MD&A in order to provide Shareholders with a more complete perspective on Relentless's future operations and such forward-looking information may not be appropriate for other purposes. Relentless's actual results or performance could differ materially from those expressed in these forward-looking statements and accordingly, no assurance can be given that any of the anticipated events will occur, and if they do occur, what benefits the Company will receive. These statements speak only as of the date of this MD&A and Relentless does not undertake an obligation to update or revise its forward-looking statements as a result of new information, future events or otherwise.

### Corporate Financial and Operational Summary

	Year Ended December 31	
	2011	2010
<b>Financial</b> ( <i>\$thousands, except shares and per share amounts</i> )		
Total revenue	1,581	486
Funds Generated (used) by operations per share ó basic	462 -	(436) -
Net income (loss) per share ó basic	(1,340) (0.05)	(126) (0.01)
Property, plant and equipment		
Capital additions ó property, plant and equipment	3,445	(330)
Capital additions ó exploration and evaluation	-	(575)
Working capital (deficit)	(713)	(1,252)
Total assets	4,597	3,015
Weighted average common shares outstanding	26,825,085	24,172,585
<b>Production</b>		
Gas (mcf/d)	214	268
Oil & NGL (bbl/d)	56	9
Total (boe/d)	91	39
<b>Product Prices</b>		
Gas (\$/mcf)	3.60	3.83
Oil (\$/bbl)	94.62	77.77
NGL (\$/bbl)	85.04	45.42

### Overview

For year ended December 31, 2011, production rates increased 133 percent to 91 boe/d compared to 39 boe/d in the same period of 2010. The increase was due to oil production from the Loverna horizontal well during the second quarter of 2011. On November 19, 2010, the Company acquired two sections of undeveloped land in the Loverna area of Saskatchewan for a cost of \$550,000. During the latter portion of the first quarter 2011, the Company drilled its first

horizontal on these prospective Loverna lands. The well was completed during the second quarter. A second well was drilled and completed in the fourth quarter of 2011.

Overall, the average natural gas prices received were weaker in 2011 compared to the prior year as the production mix shifted was shifted more to oil from natural gas and liquids.

## Revenue from Oil and Natural Gas Operations

For the year ended December 31, 2011, Relentless production revenues were comprised of 13 percent (2010 ó 68 percent) natural gas, 82.5 percent (2010 ó 18 percent) oil and 4.5 percent (2010 ó 14 percent) NGLs.

	<b>Q4 2011</b>	<b>Q3 2011</b>	<b>Q2 2011</b>	<b>Q1 2011</b>	<b>Q4 2010</b>	<b>Q3 2010</b>	<b>Q2 2010</b>	<b>Q1 2010</b>
<b>Revenue (\$)</b>								
Oil	448,642	596,039	105,503	27,397	31,262	26,187	5,349	108,112
Natural gas	70,759	81,224	86,998	84,230	83,520	95,487	25,184	53,716
NGL	24,022	18,355	18,320	19,489	14,512	19,784	8,442	19,527
Sulphur	-	-	-	-	210	-	-	-
Other	317	27	-	-	368	229	182	470
Total revenue	543,740	695,645	210,821	131,116	129,872	141,687	39,157	181,825
<b>Production</b>								
Oil (bbl/d)	53	71	18	4	4	4	1	15
Natural gas (mcf/d)	214	212	228	232	268	268	70	118
NGL (bbl/d)	3	4	3	3	5	5	2	5
Boe/d	91	111	59	46	47	54	15	40
<b>Average Prices</b>								
Oil (\$/bbl)	94.62	90.48	65.93	82.32	77.77	67.73	58.58	77.16
Natural gas (\$/mcf)	3.60	4.14	4.19	4.05	3.83	3.87	3.96	4.91
NGL (\$/bbl)	85.04	50.99	65.66	61.03	45.42	45.96	40.24	45.90
Rev \$/boe	65.62	68.16	39.49	31.77	30.03	28.73	28.68	50.68

Petroleum and natural gas revenues for the year ended December 31, 2011, were \$1,581,322 compared to \$492,541 for the same period last year, an increase of 221 percent due to the oil production from the Loverna horizontal well. The year to date natural gas versus liquids production ratio for 2011 is 38 percent natural gas compared to 77 percent for 2010.

During the year, oil, natural gas and natural gas liquids (NGL) production averaged 91 boe/d compared to 39 boe/d during the same period of 2010.

During the fourth quarter of 2011, average commodity prices received were \$94.62 per bbl of oil (2010 - \$77.77), \$85.04 per bbl of NGL (2010 - \$45.42) and \$3.60 per mcf of natural gas (2010 - \$3.83).

## Royalties

	<b>Q4 2011</b>	<b>Q3 2011</b>	<b>Q2 2011</b>	<b>Q1 2011</b>	<b>Q4 2010</b>	<b>Q3 2010</b>	<b>Q2 2010</b>	<b>Q1 2010</b>
Royalties (\$)	61,898	37,456	54,927	17,374	792	9,084	(8,533)	5,406
Royalties (\$/boe)	7.47	3.67	10.29	4.22	0.18	1.84	(6.11)	1.51
Royalties Rate (% of revenue)	11.38	5.38	26.0	13.3	0.6	6	(21)	3

Royalties are paid to various government entities and other land, mineral rights and interest holders in respect of the Company's natural gas, natural gas liquids and oil production. The increase for 2011 is due to

a change in the production mix. Wells that were of low productivity and royalty free were disposed of during the second quarter 2010.

#### *Alberta Royalty Framework*

The Government of Alberta has implemented a new royalty structure effective on January 1, 2009 that applies to all of the Company's wells in Alberta. Royalties calculated pursuant to the proposal are sensitive to well production rates and commodity prices for oil and natural gas. The objective, generally, is to increase the level of royalties collected from industry, particularly at higher commodity price levels and from higher productivity wells.

### **Operating Costs**

Operating costs can vary significantly depending on such factors as production rates, reservoir quality, water content and available infrastructure.

	<b>Q4 2011</b>	<b>Q3 2011</b>	<b>Q2 2011</b>	<b>Q1 2011</b>	<b>Q4 2010</b>	<b>Q3 2010</b>	<b>Q2 2010</b>	<b>Q1 2010</b>
Operating expense (\$)	167,554	122,603	68,101	55,955	63,662	52,486	23,505	60,879
\$/boe	20.22	12.02	12.75	13.56	14.72	10.65	17.28	16.97
Percent of revenue (%)	31	17	32	43	49	37	60	33

Operating costs averaged \$14.85 per boe for the year 2011 as compared to \$14.08 in 2010. The increase is a result of the Gordondale property, and new wells at Loverna being completed.

### **General Administration (“G & A”) Expenses**

	<b>Q4 2011</b>	<b>Q3 2011</b>	<b>Q2 2011</b>	<b>Q1 2011</b>	<b>Q4 2010</b>	<b>Q3 2010</b>	<b>Q2 2010</b>	<b>Q1 2010</b>
G & A Expense (\$)	141,864	80,095	156,905	83,265	145,577	95,687	119,726	98,915
\$/boe	21.95	7.82	29.96	20.18	33.67	19.41	87.71	27.58

### **Interest Expenses and Bank Charges**

At the beginning of 2010, the Company had drawn \$370,000 from a Canadian commercial bank. In addition, a \$610,000 loan was payable to a related party. As a result of the property sales and the issuance of common shares, both balances were repaid in full during the year. In the third quarter 2011, the Company established a new credit facility available up to \$1,000,000 with a Canadian commercial bank. As at December 31, 2011, the Company had a Nil balance drawn from the available credit facility.

## Netbacks

(\$/boe except for production)	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Production (boe/d)	91	111	59	46	47	54	15	40
Revenue	65.62	68.65	39.49	31.77	30.03	28.73	28.68	50.68
Royalties	(7.7)	(5.85)	(10.29)	(4.22)	(0.18)	(1.84)	6.11	(1.51)
Operating Expense	(21.95)	(11.68)	(12.75)	(13.56)	(14.72)	(10.65)	(17.28)	(16.97)
Operating Netback	35.97	51.12	16.45	13.99	15.73	16.24	17.51	32.20
G & A Expense	(17.12)	(7.82)	(29.96)	(20.18)	(33.67)	(19.41)	(87.71)	(27.58)
Interest and other	(0.03)	(0.02)	0.30	0.61	(0.47)	(2.34)	3.31	(3.81)
Corporate Netback	18.82	43.28	(13.21)	(5.58)	(18.41)	(5.51)	(66.89)	0.81

Field operating netbacks in 2011 are now higher as a result of more to Oil production.

## Share Based Compensation Expense

On February 8, 2011, the Company granted 100,000 stock options to an officer of the Company. The options are exercisable into common shares of the Company at an exercise price of \$0.31 per share, vest immediately and have a five-year term to expiry.

On May 3, 2011 the Corporation granted a total of 800,000 stock options to directors and officers of the company. The options are exercisable into common shares of the company at an exercise price of \$0.30 per share, vest immediately and have a five-year term to expiry.

As a result of the stock option grants, stock-based compensation expense of \$197,933 was recorded in 2011 (2010 - \$nil) based on the use of the Black-Scholes economic model.

## Depletion and Depreciation Expense

The yearly rate of depletion and depreciation expense, was \$43.00 per boe (2010 - \$22.00) up 96 percent as a result of higher carrying values of property and equipment after the drilling of two new wells during 2011 and an impairment charge against the remaining cash generating units at year end December 31, 2011, of \$1442,000.

	2011	2010
Depletion & depreciation (\$)	356,292	108,471
\$/boe	43.00	22.00

## Income Taxes

As at December 31, 2011, the Company had approximately \$3,400,000 (2010 - \$2,490,000) of Canadian tax pools available for deduction against future taxable income. The Company also has non-capital tax losses of approximately \$1,312,000 (2010 - \$1,366,000) available for deduction against future taxable income that expire between 2014 and 2030.



## Cash Flow and Earnings

Net Loss for the year ended December 31, 2011 was \$1,339,860 (2010 ó loss of \$(135,510) on resource revenues of \$1,581,903 (2010 - \$141,687). During 2011 the completion of a new oil well has significantly improved the company's cash flow.

(\$)	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Funds generated by (used for) operations	631,039	453,959	(67,432)	(22,958)	(79,596)	(27,040)	(91,021)	2,967
Per Share - basic	0.03	0.02	0.00	0.00	(0.01)	0.00	(0.01)	0.00
Net income (loss)	(1,339,860)	400,038	(278,351)	9,096	(23,781)	(108,197)	436,138	(54,516)
Per Share - basic	(0.05)	0.02	(0.01)	0.00	(0.00)	(0.01)	0.03	0.00

The per share amounts reflect the two for one consolidation of shares, approved by the shareholders on May 25, 2010 and effected on June 9, 2010.

## Capital Expenditures

During the year ended December 31, 2011, the Company incurred exploration and development expenditures of \$3,445,000 for the drilling and completion of the two horizontal well on the Loverna prospect.

On November 19, 2010, Relentless acquired two sections of undeveloped land in the Loverna area of Saskatchewan for \$550,000. The consideration paid was \$500,000 cash and 500,000 common shares at a price of \$0.10.

## Liquidity and Capital Resources

Relentless has a bank revolving loan facility of \$1,000,000 to fund future activities. The borrowing base of the facility is determined by Relentless' latest reserves assessment, results of operations, current and forecasted commodity prices and the prevailing economic market. The facility is reviewed annually with the next scheduled review as at May 31, 2012. As at December 31, 2011, no amounts were drawn on the facility. As at the date the board of directors approved the MD&A, the facility agreement is under review with the bank.

The seasonal and capital intensive nature of our activities can create a negative working capital position in quarters with high levels of exploration and development capital spending.

The industry has a pre-arranged monthly settlement day for payment of revenues from all buyers of crude oil and natural gas. This occurs on the 25<sup>th</sup> day following the month in which the production is sold. As a result Relentless collects sales revenues in an organized manner. Management monitors purchaser credit positions to mitigate any potential credit losses. To the extent Relentless has joint interest activities with industry partners we must collect, on a monthly basis, partners' share of capital and operating expenses. These collections are subject to normal industry risk. Relentless collects in advance for significant amounts related to partners' share of capital expenditures in accordance with the industry operating procedures. At December 31, 2011, Relentless had no material accounts receivable deemed uncollectible.

Accounts payable consists of invoices payable to trade suppliers relating to office and field operating activities and our capital spending program. Relentless processes invoices within a normal payment period.

We continually manage Relentless' capital spending program by monitoring forecasted production, commodity prices and anticipated cash flow. Should circumstances arise that negatively affect cash flow, Relentless is capable of reducing the level of future capital spending.

Relentless' investing activities, which consist primarily of capital expenditures on oil and natural gas activities, will be funded with a combination of working capital, funds generated by operations and bank debt.

### Related Party Transactions

During the year ended December 31, 2011, \$147,000 (2010 - \$144,000) was paid for management consulting services to companies controlled by directors.

### Share Information

On April 12, 2010, the Company issued 6,000,000 common shares at a price of five cents per share for gross proceeds of \$300,000.

Effective June 9, 2010, the Company consolidated its share capital on a two for one basis. On June 11, 2010 the common shares began trading under the symbol "RRL" on the TSX Venture Exchange.

On November 19, 2010, the Company closed on the acquisition of undeveloped lands for a total consideration of \$550,000. The acquisition was paid with \$500,000 of cash and the issuance of 500,000 common shares at a value of \$0.10 per share.

In conjunction with the closing of the acquisition, Relentless completed a private placement of 5,500,000 common shares at a price of \$0.20 per share for total proceeds of \$1,100,000.

On December 22, 2010, the Company completed a private placement of 3,333,335 common shares on a "flow-through" basis at a price of \$0.30 per share for total proceeds of \$1,000,000.

During the first half of 2011, a total of 145,000 stock options were exercised for cash proceeds of \$14,500.

	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Common shares issued and outstanding	26,825,085	24,172,585

On September 15, 2010 the Corporation approved the grant of a total of 932,500 stock options to directors, officers, employees and consultants of the company. The options are exercisable into common shares of the company at an exercise price of \$0.10 per share, vest immediately and have a five-year term to expiry.

On February 8, 2011, the Company granted 100,000 stock options to an officer of the Company. The options are exercisable into common shares of the Company at an exercise price of \$0.31 per share, vest immediately and have a five-year term to expiry.

On May 3, 2011 the Corporation approved the grant of a total of 800,000 stock options to directors and officers of the company. The options are exercisable into common shares of the company at an exercise price of \$0.30 per share, vest immediately and have a five-year term to expiry.

In conjunction with the common shares issued on a "flow-through" basis issued on December 22, 2010, the Company issued a total of 58,578 "finders" warrants exercisable into common shares at a price of \$0.30 per share for a term of one year.

On October 6, 2011, the Company completed a private placement of 2,500,000 common shares on a "flow-through" basis at a price of \$0.40 per share for total proceeds of \$1,000,000. The company paid an arm's-

length party a finder's fee of \$22,125 and issued finders warrants exercisable into 22,125 common shares at a price of \$0.40 per share for a period of 12 months after closing date.

### **Critical Accounting Estimates**

The significant accounting policies of Relentless are disclosed in Note 3 to the financial statements. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, and revenues and expenses. Relentless management reviews its estimates regularly.

There are a number of critical estimates underlying the accounting policies employed in preparing the financial statements including cost estimates for services received but not yet billed which are estimated based on original quotes and historical cost information. In addition, estimates are provided for income taxes, stock based compensation, asset retirement obligations and depreciation, depletion and amortization of property and equipment.

The Company's financial statements have been prepared on a going concern basis which contemplates the realization of certain assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. The financial statements do not include any adjustments relating to the recoverability and the classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from estimated and recorded in the Company's financial statements.

### **INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The Company's IFRS accounting policies are provided in note 3 to the interim financial statements. In addition, note 15 to the interim financial statements presents the reconciliation between the Company's previous 2010 GAAP results and its 2010 results under IFRS. The reconciliations include the statement of financial position as at December 31, 2010 and the statements of net and comprehensive income for year ended December 31, 2010.

The accounting policy and the impact of transition to IFRS are as follows:

(a) IFRS 1 election for full cost oil and gas entities

The Company elected an IFRS 1 exemption whereby the Canadian GAAP full cost pool was measured upon transition to IFRS as follows:

- (i) exploration and evaluation assets were reclassified from the full cost pool to intangible exploration assets at the amount that was recorded under Canadian GAAP; and
- (ii) the remaining full cost pool was allocated to the producing/development assets and components pro rata using [reserve volumes or reserve values].

This resulted in a \$0.5 million increase in intangible exploration assets with a corresponding decrease in property, plant and equipment.

(b) Decommissioning obligations:

Under Canadian GAAP asset retirement obligations were discounted at a credit adjusted risk free rate of 5.0 percent. Under IFRS the estimated cash flow to abandon and remediate the wells and facilities has been risk adjusted therefore the provision is discounted at a risk free rate of 2.8 percent. Upon transition to IFRS this resulted in a \$ 0.02 million increase in the decommissioning obligations with a corresponding decrease in retained earnings.

In addition, under Canadian GAAP accretion of the discount was included in depletion and depreciation. Under IFRS it is included in finance expenses.

Under Canadian GAAP expenditures on remediation and abandonment were not included in changes in non-cash working capital as done under IFRS.

(c) Impairment of property, plant and equipment (PP&E):

In accordance with IFRS, impairment tests of PP&E must be performed at the CGU level as opposed to the entire PP&E balance which was required under the previous GAAP through the full cost ceiling test. An impairment is recognized if the carrying value exceeds the recoverable amount for a CGU. At January 1, 2010, there was an impairment of \$0.33 million on transition to IFRS. In the fourth quarter of 2010, an additional impairment of \$0.16 million was recognized as additional depletion and depreciation expense due to continued decreasing natural gas prices. PP&E impairments can be reversed in the future if the recoverable amount decreases.

(d) Depletion policy:

Upon transition to IFRS, the Company adopted a policy of depleting oil and natural gas interests on a unit of production basis over proved plus probable reserves. The depletion policy under Canadian GAAP was based on units of production over proved reserves. In addition, depletion was done on the Canadian cost centre under Canadian GAAP. IFRS requires depletion and depreciation to be calculated based on individual components (ie. fields or combinations thereof).

There was no impact of this difference on adoption of IFRS at January 1, 2010 as a result of the IFRS 1 election as discussed above.

(d) Gain on sale of resource properties:

Under the previous GAAP, proceeds from divestitures were deducted from the full cost pool without recognition of a gain or loss unless the deduction resulted in a change in the depletion rate of 20 percent or greater, in which case a gain or loss was recorded. Under IFRS, gains or losses are recorded on divestitures and are calculated as the difference between the proceeds and the net book value of the asset disposed. For the year ended December 31, 2010, Relentless recognized a gain of \$0.5 million on divestitures under IFRS compared to \$0.2 million under the previous GAAP.

(e) Finance income and expenses:

Under the previous GAAP, interest income was reported as revenue and interest expense was included with other reported expenses. Under IFRS finance income and finance expenses are included as separate line items within the net and comprehensive loss statement. Finance expenses include interest expense on borrowings and the accretion on decommissioning obligations.

## **DISCLOSURE CONTROLS AND PROCEDURES**

The Company has established and maintains disclosure controls and procedures that have been designed by, or under the supervision of, the Company's Chief Executive Officer and the Chief Financial Officer ("Certifying Officers") to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure. Such disclosure controls and procedures are referred to as the "Disclosure Controls and Procedures".

The Certifying Officers have evaluated, or caused to be evaluated under the supervision, the effectiveness of the Company's Disclosure Controls and Procedures as at December 31, 2011 and have concluded that such Disclosure Controls and Procedures were effective as at that date to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized, and reported within

the time periods specified in the securities legislation and that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including the Certifying Officers, as appropriate to allow timely decisions regarding required disclosure.

It should be noted that while the Certifying Officers believe that the Company's Disclosure Controls and Procedures are effective to provide a reasonable level of assurance, they do not expect that the Disclosure Controls and Procedures will provide an absolute level of assurance or prevent all errors and fraud. A control system, no matter how well conceived, maintained and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are achieved.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Company has established and maintains internal controls over financial reporting that have been designed by, or under the supervision of, the Company's Certifying Officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS applicable to the Company and reasonable assurance that all assets are safeguarded and transactions are appropriately authorized and recorded to facilitate the preparation of relevant, reliable and timely information. Such internal controls over financial reporting are herein referred to as "ICFR". The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's ICFR as required by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings. Based on that evaluation, the Certifying Officers concluded that the Company's ICFR was effective at December 31, 2011 for the purposes described above. It should be noted that a control system, including the Company's, no matter how well conceived, maintained and operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the ICFR will prevent all errors and fraud.

## **RISK FACTORS & RISK MANAGEMENT**

### **Commodity Price Risk**

Relentless liquidity and cash flow are largely impacted by petroleum and natural gas commodity prices. Currently, Relentless has not hedged any of its oil and natural gas production at the date hereof and although it does monitor the hedge market, its strategy is to continue and to sell its oil and natural gas production at the spot market rate. Management remains bullish about future commodity prices and believes Relentless is well positioned to take advantage of a rising oil and natural gas price environment. If there is a significant deterioration in the price it receives for oil and natural gas, Relentless will consider reducing its capital spending or access alternate sources of capital.

### **Foreign Currency Exchange Risk**

The Company is exposed to foreign currency fluctuations because its Canadian revenues are strongly linked to United States dollar denominated benchmark prices.

### **Production Risk**

Relentless believes it has a stable production base from a large number of producing wells and that an adverse event affecting production at any single well would not cause a liquidity issue. Nonetheless, Relentless remains subject to the risk that production rates of its most significant wells may decrease in an unpredictable and uncontrollable manner, which could result in a material decrease in the Company's overall production and associated cash flows.

The majority of Relentless production passes through owned or third party infrastructure prior to it being ready for transfer at designated commodity sales points. There is a risk that should this infrastructure fail and cause a significant portion of Relentless production to be shut-in and unable to be sold, this could have a material adverse effect on Relentless available cash flow. The Company mitigates this risk by purchasing

business interruption insurance policies for its significant owned infrastructure and contingent business interruption insurance policies for its significant third party infrastructure.

### Reserve Replacement Risk

Oil and natural gas reserves naturally deplete as they are produced over time. The success of the Company's business is highly dependent on its ability to acquire and/or discover new reserves in a cost efficient manner. Substantially all of the Company's cash flow is derived from the sale of the petroleum and natural gas reserves it accumulates and develops. In order to remain financially viable, the Company must be able to replace reserves over time at a lesser cost on a per unit basis than its cash flow on a per unit basis. The reserves and costs used in this determination are estimated each year based on numerous assumptions and these estimates and costs may vary materially from the actual reserves produced or from the costs required to produce those reserves. In order to mitigate this risk, the Company employs a competent and experienced team of petroleum and natural gas professionals and closely monitors the capital expenditures made for the purposes of increasing its petroleum and natural gas reserves.

### Health, Safety & Environmental Risk

Health, safety and environment risks influence the workforce, operating costs and the establishment of regulatory standards. Relentless provides staff with the training and resources need to complete work safely and effectively; incorporates hazard assessment and risk management as an integral part of everyday operations; monitors performance to ensure its operations comply with legal obligations and internal standards; and identifies and manages environmental liabilities associated with its existing asset base. The Company has a site inspections program and a corrosion risk management program designed to ensure compliance with environmental laws and regulations. Relentless carries insurance to cover a portion of property losses, liability to others and business interruption resulting from unusual events.

Relentless is subject to the risk that the unexpected failure of its equipment used in drilling, completing or producing wells or in transporting production could result in releases of fluids substances that pollute or contaminate lands at or near its facilities which could result in significant liability to the Company for costs of clean up, remediation and reclamation of contaminated lands. Relentless policy with regards to the environment is to conduct all operations with due regard for the potential impact on the environment. This policy is implemented by hiring skilled personnel and reminding staff involved with operations of their responsibilities in this regard and by retaining expert environment advice and assistance to deal with environmental releases and remediation and reclamation work where such expertise is needed.

### Regulatory Risk

Government royalties, income tax laws, environmental laws and regulatory requirements can have a significant financial and operational impact on the Company. As an oil and natural gas producer, Relentless is subject to a broad range of regulatory requirements. Relentless does its best to remain knowledgeable regarding changes to the regulatory regime under which it operates.

All of Relentless properties are currently located within the provinces of Alberta and Saskatchewan. There is a risk that although the Company believes it is making an economic investment at the time all of the upfront capital is invested in facilities or drilling, completing and equipping an oil or natural gas well, the Government may at any point in the economic life of that project, expropriate without compensation a portion of the expected profit under a new royalty/tax regulation or regime with no grandfathering provisions. Without grandfathering provisions this may cause that particular project to become uneconomic once the new royalties or taxes take effect. This type of possible future government action is unpredictable and cannot be forecast by the Company.

### Counterparty Risk

Relentless assumes customer credit risk associated with oil and gas sales and joint venture participants. To mitigate this risk, the Company performs regular reviews of receivables to minimize default or non-payment and takes the majority of its production in kind. The Company also puts in place security arrangements with respect to amounts owed to it by others when reviews indicate it is appropriate to do so.

### Access to Credit Markets

Due to the nature of the Company's business it is necessary from time to time for the Company to access other sources of capital beyond its internally generated cash flow in order to fund the development and acquisition of its long term asset base. As part of this strategy the Company obtains some of this necessary capital by incurring debt and therefore the Company is dependent to a certain extent on continued availability of the credit markets.

The continued availability of the credit markets for Relentless is primarily dependent on the state of the economies and the health of the banking industry in Canada and United States. There is risk that should these economies and banking industry see unexpected and/or prolonged deterioration, then Relentless' access to credit markets may contract or disappear all together. The Company tries to mitigate this risk by dealing with reputable lenders and tries to structure its lending agreements to give it the most flexibility possible should these situations arise. However, the situations that may give rise to credit markets tightening or disappearing are ultimately uncontrollable by Relentless.

Relentless is also dependent to a certain extent on continued access to equity capital markets. The Company is listed on the Toronto Stock Exchange and maintains an active investor relations program. Continued access to capital is dependent on Relentless' ability to continue to perform at a level that meets market expectations.

### Climate Change Risks

North American climate change policy is evolving at both regional and national levels and recent political and economic events may significantly affect the scope and timing of new climate change measures that are ultimately put in place. Although it is not the case today, the Company expects that some of its significant facilities may ultimately be subject to future regional, provincial and/or federal climate change regulations to manage greenhouse gas ("GHG") emissions.

The Specified Gas Emitters Regulation, which came into effect in Alberta in 2007, requires large industrial facility emitters of GHG to reduce GHG emissions intensities by 12 per cent. Each of Relentless' facilities is below the 100,000 tonnes per year threshold that this regulation applies to.

The Government of Alberta released its climate change strategy which sets a target to reduce GHG emissions in Alberta by 50% by 2050. Implementing carbon capture and storage technology across industrial sectors is a large component of the strategy, along with energy-efficiency measures, clean energy technologies, and expanding the use of renewable sources of energy. In July 2009, the Alberta government announced that it will commit to \$2 billion in capital investments to fund the carbon capture and storage technology.

The Canadian government has expressed interest in pursuing the development of a North American cap and trade system for GHG emissions. In April 2007, the Government of Canada released the Regulatory Framework for Air Emissions ("Framework"). The Framework outlines short, medium and long-term objectives for managing both GHG emissions and air pollutants in Canada. It is uncertain how the Framework will fit within a North American cap and trade system and what the specific requirements for industrial emitters such as Relentless will be. Proposed regulations have not yet been released and therefore it is uncertain whether the impacts from such future regulations will be material to the Company.

In addition there are a number of regional initiatives being pursued by various provinces and US states such as the Western Climate Initiative which involves seven western US states and Alberta and three other Canadian provinces which are focused on the implementation of a cap and trade program. The Company anticipates a number of its facilities may be affected by these initiatives, however, the level of impact is uncertain as key details remain unknown.

### **FORWARD-LOOKING STATEMENTS**

This MD&A contains certain forward-looking statements and forward-looking information (hereinafter collectively referred to as "forward-looking statements") within the meaning of applicable Canadian securities laws. These statements relate to future events or our future performance and are based upon the Company's current internal expectations, estimates, projections, assumptions and beliefs. All statements other than statements of historical fact are forward-looking statements. In some cases, words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "would", "potential", "proposed" and other similar words, or statements that certain events or conditions "may" or "will" occur, are intended to identify forward-looking statements.

Undue reliance should not be placed on these forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions and known and unknown risks and uncertainties that the predictions, forecasts, projections and other forward-looking statements will not occur. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The Company cannot guarantee future results, levels of activity, performance or achievements. Consequently, there is no representation by the Company that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements. Such forward-looking statements in this MD&A speak only as of the date of this MD&A.

In particular, this MD&A contains forward-looking statements pertaining to the following: drilling inventory, drilling plans and timing of drilling, completion, re-completion and tie-in of wells; plans for facilities construction and completion of construction and the timing and method of funding thereof; productive capacity of wells, anticipated or expected production rates and anticipated dates of commencement of production; drilling, completion and facilities costs; results of projects of the Company; ability to lower costs borne by the Company; production growth expectations; timing of development of undeveloped reserves; the tax horizon of the Company; the future performance and characteristics of the Company's oil and natural gas properties; oil and natural gas production levels; the quantity of oil and natural gas reserves; planned capital expenditure programs; supply and demand for oil and natural gas; commodity prices; the future impact of Canadian federal and provincial governmental regulation on the Company; weighting of production between different commodities; expected levels of royalty rates and incentives, operating costs, general administrative costs, costs of services and other costs and expenses; expectations regarding the Company's ability to raise capital and to add to reserves through acquisitions, exploration and development; and treatment under tax laws. With respect to such forward-looking statements, the key assumptions on which the Company relies are: that future prices for crude oil and natural gas, future currency exchange rates and interest rates and future availability of debt and equity financing will be at levels and costs that allow the Company to manage, operate and finance its business and develop its properties and meet its future obligations; that the regulatory framework in respect of royalties, taxes and environmental matters applicable to the Company will not become so onerous as to preclude the Company from viably managing, operating and financing its business and the development of its properties; and that the Company will continue to be able to identify, attract and employ qualified staff and obtain the outside expertise and specialized and other equipment and services it requires to manage, operate and finance its business and develop its properties.

All such forward-looking statements necessarily involve risks associated with oil and gas exploration, production and marketing which may cause actual results to differ materially from those anticipated in the forward-looking statements. Some of those risks include: general economic conditions in Canada, the United States and globally; industry conditions, including fluctuations in the price of oil and natural gas; changes in governmental regulation of the oil and gas industry, including environmental regulation; fluctuations in foreign exchange rates or interest rates; geological, technical, drilling and processing problems and other difficulties in producing reserves; unanticipated operating events which can damage facilities or reduce production or cause production to be shut in or delayed; failure to obtain regulatory approvals in a timely manner; adverse conditions in the debt and equity markets; competition from others for scarce resources; and other factors disclosed under "Risk Factors" in this MD&A. Readers are cautioned that the foregoing list of factors is not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company is not under any duty to update any of the forward-looking statements after the date of this MD&A to conform such statements to actual results or to changes in the Company's plans or expectations, except as otherwise required by applicable securities laws.



## CORPORATE INFORMATION

### Directors

Daniel T. Wilson, Chairman (1)  
Calgary, Alberta

Thomas W. Robinson (1)  
Calgary, Alberta

William C. Macdonald (1)  
Calgary, Alberta

(1) Audit Committee

### Officers

Daniel T. Wilson  
President & Chief Executive Officer

Pradeep Nathwani  
VP, Finance & Chief Financial Officer

Thomas W. Robinson  
Corporate Secretary

### Stock Exchange Listing

TSX Venture Exchange

Trading Symbol: RRL

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### Auditors

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Calgary, Alberta T2P 0P7

### Register and Transfer Agent

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Calgary, Alberta T2G 0P6

### Legal Counsel

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1000, 250 ó 2<sup>nd</sup> Street SW  
Calgary, Alberta T2P 4V5

### Banker

ATB Financial  
239 ó 8<sup>th</sup> Avenue SW  
Calgary, Alberta T2P 1B9

### Reserves Evaluator

GLJ Petroleum Consultants Ltd.  
4100, 400 ó 3<sup>rd</sup> Avenue SW  
Calgary, Alberta T2P 4H2

### Abbreviations

bbl	barrels
bbl/d	barrels of oil per day
mcf	thousand cubic feet
mmcf	million cubic feet
mcf/d	thousand cubic feet per day
NGL	natural gas liquids
boe	barrel of oil equivalent (6:1)
boe/d	barrel of oil equivalent per day

All sums of money are expressed in Canadian Dollars