FINANCIAL STATEMENTS

FOR THE

THREE MONTH PERIOD ENDED MARCH 31, 2012

(UNAUDITED)

NOTICE OF NO AUDITOR REVIEW

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a), the accompanying unaudited interim financial statements have been prepared by management and the Corporation's independent auditors have not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements.

RELENTLESS RESOURCES LTD.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)

(Canadian $ thousands)

	Note	March 31, 2012	December 31, 2011
Assets			
Current assets:			
Cash		-	$ 1,110
Inventory		-	10
Trade and other receivables		209	211
Deposits and prepaid expenses		34	10
Total current assets		243	1,341
Non-current assets:			
Exploration and evaluation assets	5	-	-
Property and equipment	6	3,288	3,256
Total non-current assets		3,288	3,256
Total assets		**$ 3,531**	**$ 4,597**
Liabilities			
Current liabilities:			
Bank debt	7	290	-
Trade and other payables		445	$ 1,929
Flow-through share liability	8	-	125
Total current liabilities		735	2,054
Non-current liabilities:			
Decommissioning obligations	9	302	301
Total non-current liabilities		302	301
Total liabilities		**$ 1,037**	**$ 2,355**
Shareholders' Equity			
Share capital	10	6,366	6,366
Contributed surplus		628	628
Deficit		(4,500)	(4,752)
Total shareholders' equity		**2,494**	**2,242**
Total liabilities and shareholders' equity		**$ 3,531**	**$ 4,597**

The notes are an integral part of these financial statements.

RELENTLESS RESOURCES LTD.

CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(UNAUDITED)

For the three months ended March 31
(Canadian $ thousands, except per share amounts)

	Note	2012	2011 Note 16
Revenue			
Oil and natural gas revenue		$ 524	$ 131
Royalties		(33)	(17)
		491	114
Expenses			
Operating expenses		150	56
General and administrative		82	83
Share based compensation	11	-	31
Depletion, depreciation and impairment	6	130	36
		362	206
Profit/(loss) from operating activities		**129**	**(92)**
Finance income		1	2
Finance expense		(3)	(1)
Flow-through share income	8	125	100
Other income		123	101
Net profit/(loss) and comprehensive profit/(loss)		**$ 252**	**$ 9**
Profit per share:			
Basic and diluted	12	$ 0.01	$ -

The notes are an integral part of these financial statements.

RELENTLESS RESOURCES LTD.

CONDENSED INTERIM STATEMENTS OF CHANGES TO SHAREHOLDERS' EQUITY

(Canadian $ thousands, except share amounts)

	Note	Number of common shares	Share capital	Contributed surplus	Deficit	Total equity
Balance at December 31, 2011		**26,825,085**	**$ 6,366**	**$ 628**	**$ (4,752)**	**$ 2,242**
Income for the Period		–	–	–	252	242
	-	-	-	-	-	
Balance at March 31, 2012		**26,825,085**	**$ 6,366**	**$ 628**	**$ (4,500)**	**$ 2,484**
Balance at January 1, 2011		**24,172,585**	**$ 5,488**	**$ 464**	**$ (3,412)**	**$ 2,540**
Share based compensation	11	–	–	164	–	164
Options exercised	10	145,000	23	-	–	23
Flow through shares issued	10	2,500,000	1,000	–	–	1,000
Warrants exercised	10	7,500	2	–	–	2
Share issue costs		–	(147)	–	–	(147)
Loss for the year		–	–	–	(1,340)	(1,340)
Balance at December 31, 2011		**26,825,085**	**$ 6,366**	**$ 628**	**$ (4,752)**	**$ 2,242**

The notes are an integral part of these financial statements.

RELENTLESS RESOURCES LTD.

CONDESED INTERIM STATEMENTS OF CASH FLOWS

For the Three months ended March 31
(Canadian $ thousands)

	Note	2012	2011
Cash flows from operating activities:			
Profit for the period		$252	$ 9
Adjustments for:			
Depletion, depreciation and impairment		130	36
Share based compensation expense	11	-	31
Non cash revenue and expense		(124)	(99)
Change in non-cash working capital	14	(1,496)	605
Net cash from (used in) operating activities		**(1,238)**	**582**
Cash flows used in investing activities:			
Capital expenditures – property and equipment	6	(162)	-
Capital expenditures – exploration and evaluation	5	-	(776)
Net cash from (used in) investing activities		**(162)**	**(776)**
Cash flows from financing activities:			
Proceeds from exercise of share options	10	-	11
Net cash from financing activities		**-**	**11**
Change in cash		(1,400)	(183)
Cash, beginning of period		1,110	1,386
Cash, end of period		**$ (290)**	**$ 1,203**

The notes are an integral part of these financial statements.

1. Reporting entity:

Relentless Resources Ltd. ("Relentless" or the "Company") is engaged in the exploration for, development and production of oil and natural gas reserves in the provinces of Alberta and Saskatchewan. The Company conducts many of its activities jointly with others and these financial statements reflect only Relentless' proportional interests in such activities. Relentless was incorporated under the provisions of the Business Corporations Act (Alberta) on April 7, 2004 as Open Range Capital Corp. and became New Range Resources Ltd. on March 30, 2006 upon the amalgamation with Open Range Resources Ltd., a private company related by way of common control. The Company began trading on October 14, 2004 and traded under the symbol of RGE on the TSX Venture Exchange. Effective June 9, 2010, the Company changed its name to Relentless Resources Ltd. On June 11, 2010, the common shares began trading under the stock symbol RRL on the TSX Venture Exchange. Relentless' head office is located at 855, 700 – 4th Avenue SW, Calgary, Alberta.

2. Basis of preparation:

(a) Statement of compliance:

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company commenced reporting on this basis in its 2011 financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP ("CGAAP") before the adoption of IFRS.

These financial statements have been prepared in accordance with IFRS applicable to the preparation of financial statements, IFRS 1, "First-time Adoption of International Financial Reporting Standards". The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. The impact of the new standards, including reconciliations presenting the change from pre-changeover CGAAP to IFRS, is presented in note 16.

Relentless' significant accounting policies under IFRS are presented in note 3. These policies have been retrospectively and consistently applied except where specific exemptions permitted an alternative treatment upon transition to IFRS in accordance with IFRS 1.

These financial statements were authorized for issuance by the Board of Directors on May 28, 2012.

2. Basis of preparation (continued):

(b) Basis of measurement:

The financial statements have been prepared on a going concern and historical cost basis except as disclosed in note 4.

(c) Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities as at the date of the financial statements and the amounts of revenue and expenses during the year. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the financial statements. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below. Accordingly, actual results may differ from these estimates as future events occur.

i) Reserve estimates / impairment

Reserve estimates impact a number of the areas referred to above in particular, the valuation of property and equipment and the calculation of depletion and depreciation.

For purposes of impairment and depletion, the Company considers each “area of interest” to be a separate Cash Generating Unit (“CGU”). An impairment loss is recognized when indicators of impairment exist and the carrying amount of the CGU exceeds the recoverable amount. Recoverable amount is measured at the higher of fair value less costs to sell and value-in-use. An impairment loss was recognized at year-end based on a value-in-use calculation using a discount rate of 12%.

ii) Decommissioning obligations

Decommissioning obligations have been created based on the Company’s internal estimates.

Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from year to year. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market conditions at the time of the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

The discount rate currently applied in the calculation of the net present value of the provision is 0.93% to 2.50%.

2. Basis of preparation (continued):

(c) Use of estimates and judgments (continued):

iii) Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title.

iv) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recovered.

v) Share-based compensation

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 11.

These financial statements are presented in Canadian dollars, which is the Company's presentation currency. The Company measures items using the currency of the primary economic environment in which the entity operates.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise indicated.

In addition to the quantitative adjustments from CGAAP to IFRS, certain comparative amounts have been reclassified to conform to the current year's presentation as presented in note 16.

(a) Jointly controlled operations and jointly controlled assets:

Many of the Company's oil and natural gas activities involve jointly controlled assets. The financial statements include the Company's share of these jointly controlled assets and a proportionate share of the relevant decommissioning liabilities, revenue and related costs.

(b) Financial instruments:

Financial instruments comprise cash, trade and other receivables, bank debt, trade and other payables and accrued liabilities and loans payable. Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, the Company's non-derivative financial instruments are measured at amortized cost using the effective interest rate method, less any impairment losses.

(c) Property and equipment and exploration and evaluation assets:

(i) Initial recognition of exploration and evaluation expenditures:

Pre-license costs are recognized in the statements of loss and comprehensive loss as incurred.

Once the legal right to explore a resource property has been obtained, exploration and evaluation costs, including the costs of acquiring undeveloped land and drilling costs are initially capitalized until the drilling of the well is complete and the results have been evaluated. The costs are accumulated by well, field or exploration area pending determination of technical feasibility and commercial viability. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proved or probable reserves are determined to exist. Upon determination of proved and or probable reserves, drilling costs, geological and geophysical costs and associated undeveloped land value attributable to those reserves are first tested for impairment and then transferred from exploration and evaluation assets to property and equipment.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For purposes of impairment testing, exploration and evaluation assets are allocated to CGU's.

3. Significant accounting policies (continued):

(c) Property and equipment and exploration and evaluation assets (continued):

(ii) Development and production assets:

Items of property and equipment, which include oil and natural gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. The cost of development and production assets includes: transfers from exploration and evaluation assets, the cost to complete and tie-in the wells, facility costs, the cost of recognizing provisions for future decommissioning, and geological and geophysical costs.

When significant parts of an item of property and equipment, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (major components). Development and production assets are grouped into CGU's for impairment testing. The Company has grouped development and production assets into the following CGU's by area.

Gains and losses on disposal of an item of property and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within "other income" or "other expenses" in the statements of net and comprehensive loss.

(iii) Subsequent costs:

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in operations as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in operating expenses as incurred.

3. Significant accounting policies (continued):

(c) Property and equipment and exploration and evaluation assets (continued):

(iv) Depletion and depreciation:

The net carrying value of development and production assets is depleted using the unit of production method by reference to the ratio of production in the period to the related proven and probable reserve volumes, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent qualified reserve evaluators at least annually.Proved and probable reserves are estimated using independent qualified reserve evaluators reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be at least a 50% statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated probable. The equivalent statistical probability for the proved component of proved and probable reserves is 90%. Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon:

- A reasonable assessment of the future economics of such production;
- A reasonable expectation that there is a market for all or substantially all the expected oil and natural gas production; and
- Evidence that the necessary production, transmission and transportation facilities are available or can be made available.

(d) Leased assets:

Operating leases are not recognized on the Company’s statements of financial position.

Payments made under operating leases are recognized in the statements of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

3. Significant accounting policies (continued):

(e) Impairment:

(i) Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the statements of net and comprehensive loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

(ii) Non-financial assets:

The carrying amounts of the Company’s non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. Exploration and evaluation assets are assessed for impairment when they are reclassified to property and equipment, as oil and natural gas interests, or also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated pre-tax future cash flows from the asset group are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset group. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven reserves. In assessing fair value less costs to sell, reliable third party metrics are used to determine the price the Company could expect to receive in the market for the properties, less 1.5% for selling costs.

Exploration and evaluation assets are allocated to related CGU’s when they are assessed for impairment, both at the time of any triggering facts and circumstances as well as upon their reclassification to producing assets (oil and natural gas interests in property and equipment).

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

3. Significant accounting policies (continued):

(e) Impairment (continued):

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized.

(f) Share based compensation:

The grant date fair value of stock options granted to employees, as measured by use of the Black-Scholes valuation model, is recognized over the vesting period as compensation expense with a corresponding increase in contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon the exercise of the stock options, the previously recognized value in contributed surplus is recorded as an increase to share capital.

When equity instruments are granted to non-employees, the fair value is measured at the fair value of the goods or services received. When the value of goods or services cannot be reliably estimated, the fair value of the compensation is measured using the Black-Scholes model.

(g) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

The Company's activities give rise to dismantling, decommissioning and site disturbance re-mediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the statements of financial position date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

3. Significant accounting policies (continued):

(h) Revenue:

Revenue from the sale of oil and natural gas is recorded when the significant risks and rewards of ownership of the product are transferred to the buyer which is usually when legal title passes to the external party.

Royalty expense is recognized as it accrues in accordance with the terms of the overriding royalty agreements.

(i) Finance income and expenses:

Finance expense comprises interest expense on borrowings, accretion of the discount on provisions and impairment losses recognized on financial assets.

Interest income is recognized as it accrues in the statements of comprehensive loss, using the effective interest method.

(j) Income taxes:

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which unused tax losses, tax credit and deductible temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(k) Basic and diluted per share calculations:

Basic income (loss) per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted income (loss) per share is determined by adjusting loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees.

3. Significant accounting policies (continued):

(l) Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance a portion of its exploration and development program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through into i) share capital, and ii) a flow-through liability, equal to the estimated premium, if any, investors pay for the flow-through feature. Once related expenditures are incurred and the renouncement is filed, the premium is recognized as other income. At this time, the Company also recognizes a deferred tax liability and tax provision at the enacted or substantively enacted tax rate, for the tax pool reduction renounced to the shareholders.

Proceeds received from the flow-through issue are restricted to be used only for Canadian resource property exploration expenditures within a two year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable this tax is accrued as a financial liability until paid.

(m) Nature and purpose of equity and reserves

The reserves recorded in equity on the Company's Statement of Financial Position include 'Contributed Surplus', and 'Deficit'.

'Contributed Surplus' is used to recognize the value of stock option grants and share purchase warrants prior to exercise.

'Deficit' is used to record the Company's change in deficit from earnings from year to year.

3. Significant accounting policies (continued):

(n) New standards and interpretations not yet effective:

In November 2009, the International Accounting Standards Board ("IASB") published IFRS 9, "Financial Instruments," which covers the classification and measurement of financial assets as part of its project to replace IAS 39, "Financial Instruments: Recognition and Measurement." In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under the guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to a company's own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective for the Company on January 1, 2015. Early adoption is permitted and the standard is required to be applied retrospectively.

IFRS 11, "Joint Arrangements", requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interest in joint ventures. IFRS 11 supersedes IAS 31, "Interest in Joint Ventures", and SIC-13, "Jointly Controlled Entities – Non-monetary Contributions by Venturers."

IFRS 13, "Fair Value Measurement", is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

In addition, there have been amendments to existing standards, including IAS 27, "Separate Financial Statements", and IAS 28, "Investments in Associates and Joint Ventures." IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13.

These standards are required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of these standards or determined whether it will adopt the standards early.

4. Determination of fair values:

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property and equipment and exploration and evaluation assets:

The fair value of property and equipment and exploration and evaluation assets recognized in a business combination is based on market values. The market value of property and equipment and exploration and evaluation assets is the estimated amount for which the assets could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests (included in property and equipment) and exploration and evaluation assets is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports. The risk-adjusted discount rate is specific to the asset with reference to general market conditions.

The market value of other items of property and equipment is based on the quoted market prices for similar items.

(b) Cash, trade and other receivables and payable, bank debt and loan payable:

The fair value of cash, trade and other receivables and payable, bank debt and loan payable is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At March 31, 2012 and March 31, 2011, the fair value of these balances approximated their carrying value due to their short term to maturity.

(c) Stock options:

The fair value of employee stock options is measured using a Black-Scholes option pricing model. Measurement inputs include share price on the measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds).

(tabular amounts are in Canadian $ thousands, except share and per share amounts)

5. Exploration and evaluation assets:

As at March 31, 2012, the company did not incurred any new exploration and evaluation assets. All exploration and evaluation assets were deemed as property and equipment at the year ended December 31, 2011.

After December 31, 2011, no impairment has been recognized on the exploration and evaluation assets.

6. Property and equipment:

Cost or deemed cost:		
Balance at December 31, 2011		$5,415
Additions		162
Balance at March 31, 2012		**5,577**
Accumulated depletion, depreciation and impairment losses:		
Balance at December 31, 2011		(2,159)
Depletion and depreciation		(130)
Balance at March 31, 2012	**$**	**(2,289)**
Net book value:		
At December 31, 2011	**$**	**3,288**

(a) Collateral:

At December 31, 2011, and March 31, 2012 all of the Company's properties are pledged as collateral for the bank debt.

(b) Contingencies:

Although the Company believes that it has title to its oil and natural gas properties, it cannot control or completely protect itself against the risk of title disputes or challenges.

(c) Impairments:

At December 31, 2011, as a result of decreasing natural gas prices, Relentless recognized an impairment of $1,441,967 (2010: $136,412) on its CGUs. The impairment charge was recorded as additional depletion and depreciation expense. The impairment was based on the difference between the year end net book value of the assets and the recoverable amount. The recoverable amount was determined using value-in-use based on discounted cash flows of proved plus probable reserves using forecast prices and costs and a discount rate of 12%.

7. Bank loan:

The Company had a $1,000,000 demand operating loan facility, subject to the banks' semi-annual review of the Company's petroleum and natural gas properties. The facility is available until May 31, 2012 at which time it may be extended, at the lenders option. As at the date the directors approved these financial statements the agreement is under review. Interest payable on amounts drawn under the facility is at the lenders' prime rate plus 1.75%. The credit facility is collateralized by a general security agreement and a first ranking charge on all lands of the Company. As at March 31, 2012**,** the Company had a loan balance of $290.

(tabular amounts are in Canadian $ thousands, except share and per share amounts)

8. Flow-through share liability:

Balance at December 31, 2011	**125**
Settlement of flow-through share liability on incurring expenditures	(125)
Balance at March 31, 2012	**-**

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 from the closing date.

9. Decommissioning obligations:

The following reconciles the Company’s decommissioning obligations:

Balance at December 31, 2011	$	301
Accretion		1
Balance at March 31, 2012	**$**	**302**

The Company’s decommissioning obligations result from its ownership interest in oil and natural gas assets including well sites and gathering systems. The total decommissioning obligation is estimated based on the Company’s net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The total undiscounted amount of the estimated cash flows required to settle the decommissioning obligations is approximately $378,090 which will be incurred over the next 25 years with the majority of costs to be incurred between 2013 and 2020. An average risk-free rate of 1.51 % (2011: 2.5%)) and an inflation rate of 2.13% were used to calculate the net present value of the decommissioning obligations. The interest rate does not incorporate any credit adjustment.

(tabular amounts are in Canadian $ thousands, except share and per share amounts)

10. Share capital:

An unlimited number of voting common shares may be authorized and issued.

The holders of common shares are entitled to receive dividends as declared by the Company and are entitled to one vote per share. All common shares are of the same class with equal rights and privileges.

The following summarizes the share capital activity:

	Number of Shares	Issue Price	Amount
Balance at December 31, 2010	24,172,585		$ 5,488
Issue of shares on exercise of options	145,000	0.10	23
Flow through share issuance (note 8)	2,500,000	0.40	1,000
Warrants exercised	7,500	0.30	2
Less flow-through liability			(125)
Less share issue costs			(22)
Balance at December 31, 2011	**26,825,085**		**$ 6,366**
March 31, 2012	-		-
Balance at March 31, 2012	**26,825,085**		**$ 6,366**

(tabular amounts are in Canadian $ thousands, except share and per share amounts)

11. Share based payments:

(a) Stock options:

The Company has an option program that entitles officers, directors, employees and certain consultants to purchase shares in the Company. Options are granted at the market price of the shares at the date of grant, have a five year term and vest immediately.

The number and weighted average exercise prices of share options for the year ended December 31, 2011 and the three months ended March 31, 2012 are as follows:

	2012		2011	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at January 1	1,720,000	0.22	1,290,000	$ 0.22
Expired during the period	(182,500)	0.3-0.60	-	-
Exercised during the period	-	-	(112,500)	0.10
Granted during the period	-	-	100,000	0.31
Outstanding at period end	**1,537,500**	**$ 0.24**	**1,277,500**	**$ 0.24**
Exercisable at period end	**1,537,500**	**$ 0.24**	**1,277,500**	**$ 0.24**

The range of exercise prices of the outstanding options at March 31, 2012 is a follows:

Exercise price	Options outstanding	Weighted average contractual life (years)
$0.10	787,500	3.5
$0.30	750,000	4.1
$0.10 to $0.60	**1,537,500**	**3.8**

(tabular amounts are in Canadian $ thousands, except share and per share amounts)

11. Share based payments (continued):

(a) Stock options (continued):

The fair value of the options granted was estimated using Black-Scholes model with the following weighted average inputs for the period ended March 31, 2011. The Company did not issue any new options during the period.

	2012	2011
Fair value at grant date	-	$0.19
Share price	-	$0.31
Exercise price	-	$0.31
Volatility	-	73%
Option life	-	5 years
Dividends	-	-
Risk-free interest rate	-	2.68%

The expected volatility rate is consistent with actual or peer based volatility rates. A forfeiture rate is not used when recording share based compensation as the options vest immediately. Share based compensation cost expensed 2012(0), 2011($31,000).

(b) Finders' warrants

In conjunction with the common shares issued on a "flow-through basis" on October 31, 2011, the Company issued a total of 22,125 (2010: 58,578) finders warrants exercisable into common shares at a price of $0.40 (2010: $0.30) per share for a term of one year, expiring October 31, 2012 (2010: expiring December 21, 2011). These warrants were valued using the Black-Scholes method as the fair value of the services received was not determinable. The inputs to the Black-Scholes are as follows:

- Life 1 year
- Share price $0.40
- Exercise price $0.35
- Volatility 42.57%
- Risk-free rate 1.09%
- Dividend yield Nil

Using Black-Scholes, a fair value of $22,125 (2010: $4,912) has been recorded as share issue costs.

(tabular amounts are in Canadian $ thousands, except share and per share amounts)

12. Profit/(Loss) per share:

Profit per share was calculated as follows:

	2012	2011
Loss for the period	$ 242	$ 9
Weighted average number of common shares (basic)		
Issued common shares at beginning of year	26,825,085	24,172,585
Share options exercised	-	112,500
Effects of shares issued	-	(81,000)
Weighted average number of common shares – basic and diluted	26,825,085	24,204,085
Profit per share – basic and diluted	**$ 0.01**	**$ 0**

Excluded from diluted loss per share is the effect of stock options as their effect is anti-dilutive.

13. Income taxes:

The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

	2012	2011
Profit / (loss) before income taxes	$ 252	$ 9
Tax charge / (recovery) based on the statutory rate of 26.5% (2011: 26.5%)	67	2
Change in tax rates on deferred tax	(3)	2
Non-deductible expenses	19	14
Flow-through share renunciation	260	-
Other	(6)	(100)
Changes in unrecognized deferred tax assets	(337)	82
Total income tax expense / (recovery)	-	-

Effective January 1, 2011, the Canadian Federal corporate tax rate decreased from 18% to 16.5% and the Alberta and Saskatchewan provincial tax rate stayed at 10% and 12% respectively.

(tabular amounts are in Canadian $ thousands, except share and per share amounts)

13. Income taxes (continued)

No deferred tax asset has been recognized in respect of the following losses and temporary differences as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered:

	2011	2010
Loss carry forwards	$ 309	$ 398
Property and equipment	382	232
Other deductible temporary differences	14	14
Share issue costs	18	17
Unrecognized deferred tax assets	(723)	(661)
	-	-

As at December 31, 2011, the Company has estimated non-capital losses for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years, as summarized below:

Non-capital Canadian tax losses expiring as follows:

Year of Expiry	Taxable Losses
2028	$ 776
2029	349
2030	238
Total	$ 1,363

14. Supplemented cash flow information:

Changes in non-cash working capital for the periods ended March 31, is comprised of:

	2012	2011
Source of cash:		
Inventory	$ 10	$ -
Accounts receivable	2	(4)
Deposits and prepaid expenses	(24)	(10)
Accounts payable and accrued liabilities	(1,484)	619
	$ (1,496)	$ 605
Related to operating activities	(1,496)	605
	$ (1,496)	$ 605

15. Related party transactions:

The following is a summary of the Company's related party transactions during the year:

Key management personnel compensation for the periods ended March 31 comprised:

	2012	2011
Consulting fees	$ 79	$ 70
Share based payments	-	31
	$ 79	$ 101