FINANCIAL STATEMENTS

FOR THE

THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2013

(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)

	Note	September 30, 2013	December 31, 2012
Assets			
Current assets:			
Cash		$ 104,512	$ 450,132
Inventory		-	-
Trade and other receivables		224,564	161,366
Deposits and prepaid expenses		146,593	18,114
Total current assets		475,668	629,612
Non-current assets:			
Exploration and evaluation assets		-	-
Property and equipment	5	2,464,950	2,400,437
Total non-current assets		2,464,950	2,400,437
Total assets		**$ 2,940,618**	**$ 3,030,049**
Liabilities			
Current liabilities:			
Bank debt	6	-	-
Trade and other payables		$ 281,014	$ 249,088
Flow-through share liability	7	-	192,000
Total current liabilities		281,014	441,088
Non-current liabilities:			
Decommissioning obligations	8	799,000	303,172
Total non-current liabilities		799,000	303,172
Total liabilities		**$ 1,080,014**	**$ 744,260**
Shareholders' Equity			
Share capital	9	6,927,571	6,927,571
Contributed surplus		751,960	640,422
Deficit		(5,818,927)	(5,282,204)
Total shareholders' equity		1,860,604	2,285,789
Total liabilities and shareholders' equity		$ 2,940,618	$ 3,030,049

The accompanying notes are an integral part of these financial statements.

RELENTLESS RESOURCES LTD.

CONDENSED INTERIM STATEMENTS OF (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME (UNAUDITED)

For the Three and Nine months ended September 30

	Note	Three Months 2013	Three Months 2012	Nine Months 2013	Nine Months 2012
Revenue					
Oil and natural gas revenue		$ 393,465	$261,192	$1,060,708	$ 1,187,622
Royalties		(42,299)	(7,817)	(71,644)	(64,010)
		351,166	253,375	989,064	1,123,612
Expenses					
Operating expenses		111,262	122,007	391,502	424,605
General and administrative		70,823	65,389	231,920	260,348
Share based compensation	10	111,538	6,447	111,538	6,447
Depletion, depreciation and impairment	5	165,400	77,400	799,173	315,078
		459,023	271,243	1,534,133	1,006,478
Profit/(loss) from operating activities		**(107,857)**	**(17,868)**	**(545,069)**	**117,134**
Finance income		24	3	1,591	818
Finance expense		(1,569)	(12,247)	(185,245)	(20,689)
Flow-through share income	7	-	-	192,000	125,000
		(1,545)	(12,244)	8,346	105,129
Net profit/(loss) and comprehensive profit/(loss)		**$(109,402)**	**$(30,112)**	**$ (536,723)**	**$ 222,263**
(Loss) Income per share:					
Basic and diluted	11	-	-	0.01	0.01

The accompanying notes are an integral part of these financial statements.

RELENTLESS RESOURCES LTD.
CONDENSED INTERIM STATEMENTS OF CHANGES TO SHAREHOLDERS' EQUITY

	Note	Number of common shares		Share capital		Contributed surplus		Deficit		Total equity
Balance at December 31, 2012		**30,025,085**	**$**	**6,927,571**	**$**	**640,422**	**$**	**(5,282,205)**	**$**	**2,285,789**
Loss for the Period		–		–		-		(536,723)		(536,723)
Stock Based Compensation		-		-		111,538		-		111,538
								-		
Balance at September 30, 2013		**30,025,085**	**$**	**6,927,571**	**$**	**751,960**	**$**	**(5,818,928)**	**$**	**1,798,604**
Balance at January 1, 2012		**26,825,085**	**$**	**6,365,920**	**$**	**628,363**	**$**	**(4,753,522)**	**$**	**2,240,761**
Share based compensation	10	–		–		10,210		–		10,210
Flow through shares issued	7	3,200,000		608,000		–		–		608,000
Warrants issued	10	-		-		1,849		–		1,849
Share issue costs		–		(46,349)		–		–		(46,349)
Loss for the year		–		–		–		(528,682)		(528,682)
Balance at December 31, 2012		**30,825,085**	**$**	**6,927,571**	**$**	**640,422**	**$**	**(5,282,204)**	**$**	**2,285,789**

The accompanying notes are an integral part of these financial statements.

RELENTLESS RESOURCES LTD.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

For the Three and Nine months ended September 30,

		Three Months		Nine Months	
	Note	2013	2012	2013	2012
Cash flows from operating activities:					
Comprehensive income (loss) for the Period		$ (109,402)	(30,112)	(536,723)	222,263
Adjustments for:					
Depletion and depreciation	5	165,400	77,400	328,396	315,078
Impairment				470,777	
Non-cash finance expenses		1,000	1,165	180,228	3,495
Share based compensation expense		111,538	6,447	111,538	6,447
Future Income Tax Provision					
Gain on sale of resource property					
Flow-through share income	7	-	-	(192,000)	(125,000)
Changes in non-cash working capital	12	(130,681)	37,416	(191,676)	32,944
Net cash from (used in) operating activities		**37,855**	**92,316**	**170,540**	**455,277**
Cash flows used in investing activities					
Capital expenditures – property and Equipment	05	(46,353)	(23,976)	(548,086)	(223,838)
Change in non- cash working capital	12	106,813	(81,881)	31,926	(1,759,750)
Net cash from (used in) financing activities		60,460	(105,857)	(516,160)	(1,983,538)
Change in cash		98,315	(13,541)	(345,620)	(1,528,311)
Cash, beginning of period		6,197	(404,742)	450,132	1,110,028
Cash, end of period		**104,512**	**(418,283)**	**104,512**	**(418,283)**

The accompanying 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 September 9, 2010, the Company changed its name to Relentless Resources Ltd. On September 11, 2010, the common shares began trading under the stock symbol RRL on the TSX Venture Exchange. Relentless' head office is located at 320, 700 – 4th Avenue SW, Calgary, Alberta.

2. Basis of preparation

a) Statement of compliance:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Interpretations Committee ("IFRIC") and in effect at the closing date of September 30, 2013.

These financial statements were authorized for issuance by the Board of Directors on November 28, 2013.

b) Basis of measurement:

The financial statements have been prepared on a going concern and historical cost basis except for certain items measured at fair value as outlined in Note 3.

c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company's functional currency, and all amounts are rounded to the nearest Dollar (Canadian $1) except for per share amounts.

d) Use of estimates and judgments:

Management is required to make estimates, judgments and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

Management reviews these estimates, judgments and assumptions on an ongoing basis, including those related to the determination of cash generating units, depreciation, depletion and amortization, decommissioning obligations, fair values of financial statements, recoverability of assets, income taxes, and share-based payments. Actual results may differ from these estimates. See Note 5 for a description of significant estimates and judgments.

3. Significant accounting policies

These condensed interim financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in Note 4 to the financial statements for the year ended December 31, 2012, except as highlighted in Note 4 (a) below.

(a) New accounting policies:

On January 1, 2013, Relentless adopted the following new standards and amendments which became effective for annual periods on or after January 1, 2013:

- IFRS 10, "Consolidated Financial Statements," supersedes IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities". This standard provides a single model to be applied in control analysis for all investees including special purpose entities. The adoption of this standard had no impact on the amounts recorded in the Company's condensed interim financial statements.
- IFRS 11, "Joint Arrangements," whereby joint arrangements are classified as either joint operations or joint ventures, each with their own accounting treatment. All joint arrangements are required to be reassessed on transition to IFRS 11 to determine their type to apply the appropriate accounting. The adoption of this standard had no impact on the amounts recorded in the Company's condensed interim financial statements.
- IFRS 12, "Disclosure of Interest in Other Entities," combines the disclosure requirements for entities that have interest in subsidiaries, joint arrangements, and associates as well as unconsolidated structured entities. The adoption of this standard had no impact on the Company's condensed interim financial statements.
- IFRS 13, "Fair Value Measurement," establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. This standard defines fair value as 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. The adoption of this standard had no impact on the Company's condensed interim financial statements (see note 5).
- IFRS 7, "Financial Instruments: Disclosures" was amended to develop common disclosure requirements for financial assets and financial liabilities that are offset in the financial statements, or that are subject to enforceable master netting arrangements or similar agreements. The adoption of this amendment had no impact on the Company's condensed interim financial statements.
- The Company has adopted the amendments to IAS 1, Presentation of Financial Statements, effective January 1, 2013. These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. These changes did not result in any adjustments to net and other comprehensive income. or loss and comprehensive income.

(b) Future accounting policies:

- For annual periods beginning on or after January 1, 2015, IFRS 9 will replace the guidance of IAS 39, "Financial Instruments: Recognition and Measurement." This standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans receivable. Financial assets will be classified into one of two categories: amortized cost or fair value. The Company intends to adopt IFRS 9 in the financial statements for the year beginning on January 1, 2015. The extent of the impact of the adoption of IFRS 9 has not yet been determined.

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

4. Fair value of financial instruments:

a. The fair value of the financial instruments carried on the Company's condensed interim statements of financial position is classified according to the following hierarchy based on the amount of observable inputs used to value the financial instruments.

b. Level 1 – quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

c. Level 2 – pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

d. Level 3 – valuation in this level are those with inputs for the asset or liabilities that are not based on observable market data.

e. The carrying value of accounts receivable, accounts payable and bank debt approximate their fair values due to their short term nature. The Company's financial derivative instruments are classified as Level 2.

5. Property and equipment

Cost:

Balance at December 31, 2011	$	5,415,109
Change in decommissioning obligations		(769)
Additions		223,776
Balance at December 31, 2012	$	5,638,116
Change in decommissioning obligations		315,600
Additions		548,087
Balance at September 30, 2013	$	6,501,803

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

5. Property and equipment *(continued)*

Accumulated depletion, depreciation and impairment losses:		
Balance at December 31, 2011	$	(2,158,846)
Depletion and depreciation		(479,673)
Impairment		(599,161)
Balance at December 31, 2012	$	(3,237,680)
Depletion and depreciation		(328,396)
Impairment		(470,777)
Balance at September 30, 2013		(4,036,853)
Net book value		
At December 31, 2012		2,400,436
At September 30, 2013	$	2,464,950

a) Collateral:

At September 30, 2013, and December 31, 2012 all of the Company's properties are pledged as collateral for the bank debt.

b) Depletion:

At September 30, 2013 estimated future costs to develop the proved plus probable reserves of $38,000 (2012 - $172,000) were added to property and equipment for depletion and depreciation purposes.

c) Impairments:

As a result of swap of Loverna property, Relentless recognized an adjustment of impairment of $ (80,290) during the second quarter (2012- $599,161), on its Loverna, Hays and Niton areas. The impairment charge was recorded as additional depletion, depreciation and impairment 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 fair value less cost to sell based on discounted cash flows of proved plus probable reserves using forecast prices and costs and a discount rate of 15%. The discount rate was determined based upon the implied discount rate inherent in transactions involving similar properties during 2012. The following commodity price estimates were used:

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

5. Property and equipment *(continued)*

Year	WTI Cushing Oklahoma 40° API ($US/bbl)	Edmonton Par Price 40° API ($Cdn/bbl)	Alberta AECO-C Spot ($Cdn/MMBTU)	Henry Hub ($US/MMBtu)
2013	89.63	84.55	3.31	3.65
2014	89.93	89.84	3.72	4.06
2015	88.29	88.21	3.91	4.24
2016	95.52	95.43	4.70	5.04
2017	96.96	96.87	5.32	5.66
2018	98.41	98.32	5.40	5.74
2019	99.89	99.79	5.49	5.83
2020	101.38	101.29	5.58	5.91
2021	102.91	102.81	5.67	6.00
2022	104.45	104.35	5.76	6.09
2023	106.02	105.92	5.85	6.18
Escalation rate of 1.5% thereafter				

(1) Source: Sproule Associates Limited, effective December 31, 2012

d) Capitalized general and administrative costs and interest**:**

The Company has not capitalized any general and administrative expenses or interest during the current period or the year ended December 31, 2012.

6. Bank Debt

As at September 30, 2013, the Company had a $700,000 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, 2014 at which time it may be extended, at the lenders option. Interest payable on amounts drawn under the facility is at the lenders' prime rate plus 1.75 percent. The credit facility is collateralized by a general security agreement and a first ranking charge on all lands of the Company. Under the terms of the facility, the Company is required to maintain a working capital ratio of not less than 1:1. As at September 30, 2013 and December 31, 2012 the Company had not drawn on this loan facility

7. Flow-through share liability

Balance at January 1, 2012	$	-
Liability incurred on flow-through shares issued		192,000
Balance at December 31, 2012	$	192,000
Settlement of flow-through share liability on incurring expenditures		(192,000)
Balance at September 30, 2013	$	-

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

7. Flow-through share liability (*continued*)

On December 20, 2012, the Company completed a private placement of 3,200,000 common shares on a "flow-through basis" at a price of $0.25 per share for total proceeds of $800,000. The Company incurred share issuance costs in an amount of $46,349 of which $44,500 relates to a finder's fee paid in cash and non-cash finders' warrants with a fair value of $1,849. The Company has until December 31, 2013 to make the necessary expenditures under the Flow-through share program. As at September 30, 2013 the Company still has an obligation to spend $106,500.

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.

8. Decommissioning obligations

The following reconciles the Company's decommissioning obligations:

Balance at December 31, 2012	$	303,172
Accretion		180,228
Change in liability estimate		315,600
Balance at September 30, 2013	$	799,000

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 $808,000 (2012 - $ 346,093) which will be incurred over the next 30 years (2012 – 25 years) with the majority of costs to be incurred between 2013 and 2042. An average risk-free rate of 1.46 percent (2012 – 2.7%) and an inflation rate of 2 percent (2012 – 2.125 %) were used to calculate the net present value of the decommissioning obligations.

9. Share capital

An unlimited number of voting common shares and preferred shares are authorized.

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.

Issued:	**Number of Shares**		**Amount**
Balance at December 31, 2011	26,825,085	$	6,365,920
Flow through share issuance (note 8)	3,200,000		800,000
Less flow-through liability (note 8)	-		(192,000)
Less share issue costs	-		(46,349)
Balance at December 31, 2012 & September 30, 2013	30,025,085	$	6,927,571

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

10. Share based payments

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, 2012 and nine months ended September 30, 2013 are as follows:

	2012		
	Number of options		**Weighted average exercise price**
Outstanding at January 1	**1,720,000**	**$**	**0.21**
Expired	**(32,500)**		**0.60**
Exercised	**-**		**-**
Cancelled	**(150,000)**		**0.31**
Granted	**75,000**		**0.16**
Outstanding at year end	**1,612,500**	**$**	**0.20**
Exercisable at year end	**1,612,500**	**$**	**0.20**

	2013		
Granted in 2013	**1,150,000**	**$**	**0.165**
Exercisable at September 30,2013	**2,762,500**	**$**	**0.18**

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

		Options outstanding	Weighted average contractual life (years)
	0.10	787,500	2.5
	0.16	75,000	4.5
	0.165	1,150,000	4.8
	0.30	750,000	3.1
$	0.10 to 0.30	2,762,500	3.75

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

10. Share based payments *(continued)*

The fair value of the options granted was estimated using Black-Scholes model with the following weighted average inputs for the year ended December 31, 2012

		2012		2011
Fair value at grant date	**$**	**0.14**	$	0.17-0.19
Share price	**$**	**0.16**	$	0.30-0.31
Exercise price	**$**	**0.16**	$	0.30-0.31
Volatility		**127%**		73%
Option life		**5 years**		5 years
Dividends		**-%**		-%
Risk-free interest rate		**1.36%**		2.68%-3.04%

Finders' warrants

In conjunction with the common shares issued on a "flow-through basis" in 2012, the Company issued a total of 66,750 finders warrants exercisable into common shares at a price of $0.25 per share for a term of one year, expiring December 20, 2013. These warrants were valued using the Black-Scholes method. In 2012 $1,849 had been recorded as share issue costs.

The inputs to the Black-Scholes are as follows:

		2012		2011
Life		**1 year**		1 Year
Share price	**$**	**0.19**	$	0.40
Exercise price	**$**	**0.25**	$	0.35
Volatility		**60%**		43%
Risk-free rate		**1.20%**		1.09%
Dividend yield		**Nil**		Nil

As at December 31, 2012, 66,750 warrants remain outstanding. The warrants have an exercise price of $ 0.25 and a remaining life of 0.97 years.

11. Loss per share

Loss per share was calculated for the periods ended September 30, as follows:

		2013		2012
Income (Loss and comprehensive loss for the period)	**$**	**(536,723)**	$	222,263
Weighted average number of common shares – basic and diluted		**30,825,085**		26,825,085
Loss per share – basic and diluted	**$**	**(0.02)**	$	0.01

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

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

12. Supplemented cash flow information

Changes in non-cash working capital for the periods ended September 30, is comprised of:

		2013		2012
Source (use) of cash:				
Trade and other receivables	$	(51,645)	$	38,945
Inventory				9,500
Deposits and prepaid expenses		(9,349)		(14,801)
Trade and other payables		(74,888)		(1,759,700)
	$	(135,882)	$	(1,726,756)
Allocated to the following:				
Related to operating activities	$	(135,882)	$	32,944
Related to investing activities		-		(1,759,700)
	$	(135,882)	$	(1,726,756)

13. Related party transactions

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

During the **n**ine months ended September 30, 2013 the Company paid $13,661 (2012 - $11,800) to a company related by a common member of management for shared office costs. At year end, included in trade and other payables is $8,516 (2012 - $6,303) related to these amounts.

Key Management Compensation

Key management personnel compensation for the period ended September 30, 2013 comprised:

		2013		2012
Consulting fees	$	120,270	$	87,200
Share based payments		-		-
	$	120,270	$	87,200

14. Income taxes

As at September 30, 2013, 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	$	773,349
2029	$	348,535
2030	$	237,852
2032	$	305,000

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

15. Capital management

The Company defines its capital as total shareholders' equity. Relentless' objective in managing capital is to have flexibility to finance future expansions of its business, through the use of its current funds generated from operations, its debt facilities and future share issuances. The Company expects to continue to improve the net cash flow due to improving commodity prices in 2013. The Company remains committed to maintaining the strength of its financial position, and plans to use cash flow for future programs.

The Company's credit facilities with a Canadian bank, are subject to review on May31, 2014. The Company is required to maintain an adjusted working capital ratio of not less than 1:1 under the credit facility. As at September 30, 2013, the Company is in compliance with this ratio. As at September 30, 2013 and December 31, 2012 the Company had no amount outstanding on its credit facility.

16. Financial instruments and risk management

The Company's financial instruments consist of cash, trade and other receivables, band debt and trade and other payables.

Financial Instrument	Classification	Carrying Value $	Fair Value $
Cash	Fair value through profit and loss	104,512	104,512
Trade and other receivables	Loans and receivables	224,564	224,564
Bank debt	Other financial liabilities	-	-
Trade and other payables	Other financial liabilities	146,593	146,593

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. At September 30, 2013, the Company's cash has been subject to Level 1 valuation.

The main financial risks affecting the Company are as follows:

a) Credit risk

Credit risk is the risk of financial loss if a customer, partner or counterparty to a financial instrument fails to meet its contractual obligations. Receivables from petroleum and natural gas marketers are normally collected on the 25th day of the month following production and the Company could be at risk for up to 55 days of production from any marketer. The Company sells its production to two petroleum marketers and two natural gas marketers so that the exposure to any one entity is minimized. Oil sales make up 80% of the Company's revenue and natural gas & NGL's makes up the remaining 20% of revenue. The Company historically has not experienced any collection issues with its petroleum and natural gas marketers. Joint venture receivables are typically collected within two months of the joint venture bill being issued to the partner. The Company attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditures prior to expenditure. The Company does not typically obtain collateral from joint venture partners; it may cash call a partner in advance of the work being performed. The Company establishes an allowance for doubtful accounts as determined by management based on their assessment of collection.

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

17. Financial instruments and risk management *(continued)*

The maximum exposure to credit risk at the financial position date was equal to the carrying value of trade and other receivables. As of September 30, 2013 and 2012, all receivables were current and there were no receivables provided for or written off during the year ended September 30, 2013 or 2012.

At September 30, 2013, the Company's trade and other receivables have been aged as follows:

Days outstanding	September 30,2013 $
0-30 days	200,066
31-60 days	23,723
61-90 days	1,180
Greater than 90 days	24
Total	224,564

Management of the Company believes all trade and other receivables are collectible. The Company does not have an allowance for doubtful accounts as at September 30, 2013 and did not provide for any doubtful accounts or write-off any trade and other receivables during the period ended September 30, 2013.

b) Market risk

Market risk consists of commodity price, foreign currency and interest rate risks.

i. Commodity price risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by world economic events that dictate the levels of supply and demand, as well as the relationship between the Canadian and US dollar.

The Company is exposed to the risk of declining prices for production resulting in a corresponding reduction in projected cash flow. A $1.00/boe increase or decrease in the price received for natural gas or oil would result in approximately a $6,000 increase or decrease in revenues received for the period. Reduced cash flow may result in lower levels of capital being available for field activity, thus compromising the Company's capacity to grow production while at the same time replacing continuous production declines from existing properties.

Bank financing available to the Company is in the form of a production loan, which is reviewed annually, and which is based on future cash flows and commodity price forecasts. Changes to commodity prices will have an effect on credit available to the Company under its banking agreement.

ii. Foreign Currency

The company does not directly deal in foreign currency, as such no subjected to any direct risk factors.

iii. Interest Rate Risk

Interest rate risk is that risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate fluctuations on its bank debt which bears a floating rate of interest. If interest rates on the maximum bank debt changed by one percent, net income (loss) would have changed by $2,000 during the period.

17. Financial instruments and risk management *(continued)*

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses or risking harm to the company's reputation. The Company prepares capital expenditure budgets, and monitors them regularly, as necessary.