RELENTLESS RESOURCES LTD.

AUDITED FINANCIAL STATEMENTS
AND
MANAGEMENT'S DISCUSSION
AND ANALYSIS
FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2013

Relentless Resources

Financial Statements

December 31, 2013 and 2012

Relentless Resources Ltd.

Financial Statements for the years ended
December 31, 2013 and 2012

Management's Statement of Responsibility

To the Shareholders of Relentless Resources Ltd.

Management, in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, has prepared the accompanying financial statements of Relentless Resources Ltd. (the "Company"). Financial and operating information presented throughout this report is consistent with that shown in the financial statements.

Management is responsible for the integrity of the financial information. Internal control systems are designed and maintained to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for financial reporting purposes.

MNP LLP was appointed by the shareholder's to conduct an audit of the financial statements so as to express an opinion on the financial statements. Their examination included such tests and procedures, as they considered necessary, to provide reasonable assurance that the financial statements are presented fairly in accordance with IFRS.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility through the Audit Committee, with assistance from the Reserve Committee regarding the annual evaluation of our petroleum and natural gas reserves. The Audit Committee meets regularly with management and the independent auditors to ensure that management's responsibilities are properly discharged, to review the financial statements and recommend that the financial statements be presented to the Board of Directors for approval. The Audit Committee also considers the independence of the external auditors and reviews their fees. The external auditors have access to the Audit Committee without the presence of management.

"signed"
Daniel Wilson
Chief Executive Officer

"signed"
Hugh Thomson
Vice President Finance and Chief Financial Officer

April 28, 2014

Independent Auditors' Report

To the Shareholders of Relentless Resources Ltd.:

We have audited the accompanying financial statements of Relentless Resources Ltd. (the "Company"), which comprise the statements of financial position as at December 31, 2013 and 2012 and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Relentless Resources Ltd. as at December 31, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

MNP LLP

Calgary, Alberta
April 28, 2014

Chartered Accountants

Relentless Resources Ltd.

Financial Statements for the years ended
December 31, 2013 and 2012

Statements of Financial Position
As at
(in Canadian dollars)

	Note	December 31, 2013	December 31, 2012
Assets			
Current			
Cash		$ 192,567	$ 450,132
Accounts receivable		125,403	161,366
Prepaid expenses and deposits		129,502	18,114
		447,472	629,612
Property, plant and equipment	6	2,202,574	2,400,436
		$ 2,650,046	$ 3,030,048
Liabilities and Shareholders' Equity			
Current			
Accounts payable and accrued liabilities		$ 265,827	$ 249,088
Flow through share liability	7	-	192,000
Current portion of decommissioning obligations	9	158,208	151,895
		424,035	592,983
Decommissioning obligations	9	1,468,350	151,277
		1,892,385	744,260
Shareholders' Equity			
Share capital	11	6,925,722	6,927,571
Contributed surplus	14	804,810	640,422
Deficit		(6,972,871)	(5,282,205)
		757,661	2,285,788
		$ 2,650,046	$ 3,030,048

Subsequent events – note 21

SIGNED ON BEHALF OF THE BOARD

"signed" "signed"

Ron Peshke Dan Wilson

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

Relentless Resources Ltd.

Statements of Comprehensive Loss
For the years ended December 31,
(in Canadian dollars, except per share amounts)

	Note	2013	2012
Revenue			
Oil and natural gas sales	19	$ 1,333,874	$ 1,444,630
Royalties		(103,720)	(82,992)
Net revenue		1,230,154	1,361,638
Other income	15	262,728	125,000
		1,492,882	1,486,638
Expenses			
Production and operating		527,577	531,417
Depletion and depreciation	6	498,946	479,673
Impairment of property, plant and equipment	6	1,590,393	599,161
General and administrative		384,867	369,620
Share based compensation	13	162,539	10,210
Finance expense		19,226	25,239
		3,183,548	2,015,320
Net loss and comprehensive loss for the year		$ (1,690,666)	$ (528,682)
Loss per share, basic and diluted	16	$ (0.06)	$ (0.02)

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

Relentless Resources Ltd.

Statements of Changes in Shareholders' Equity
For the years ended December 31,
(in Canadian dollars)

		2013		2012	
	Note	**Number**	**Amount**	**Number**	**Amount**
Share capital					
Balance, beginning of year		30,025,085	$6,927,571	26,825,085	$6,365,920
Warrants expired	12	-	(1,849)	-	-
Common shares issued	11	-	-	3,200,000	608,000
Share issue costs	11	-	-	-	(46,349)
Share capital, end of year		**30,025,085**	**$6,925,722**	**30,025,085**	**$6,927,571**
Warrants					
Balance, beginning of year		66,750	-	-	-
Expired	12	(66,750)	-	-	-
Issued	12	-	-	66,750	-
Warrants, end of year		**-**	**-**	**66,750**	**-**
Contributed surplus					
Balance, beginning of year		-	$640,422	-	$628,363
Warrants expired	12	-	1,849	-	-
Warrants issued	12	-	-	-	1,849
Share based compensation	13	-	162,539	-	10,210
Contributed surplus, end of year		**-**	**$804,810**	**-**	**$640,422**
Deficit					
Balance, beginning of year		-	($5,282,205)	-	($4,753,523)
Comprehensive loss for the year		-	(1,690,666)	-	(528,682)
Deficit, end of year		**-**	**($6,972,871)**	**-**	**($5,282,205)**
Total Shareholders' equity, end of year		-	$757,661	-	$2,285,788

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

Relentless Resources Ltd.

Statements of Cash Flows
For the years ended December 31,
(in Canadian dollars)

	Note		2013		2012
Cash from operating activities:					
Net and comprehensive loss for the year		$	(1,690,666)	$	(528,682)
Adjustments for:					
Depletion and depreciation	6		498,946		479,673
Impairment of property, plant and equipment	6		1,590,393		599,161
Accretion	9		16,380		2,848
Share based compensation	13		162,539		10,210
Other income	7		(192,000)		(125,000)
			385,592		438,210
Change in non-cash working capital	18		(35,815)		51,228
Cash from operating activities			349,777		489,438
Cash used in investing activities:					
Cash received from asset exchange	6		200,000		-
Additions to property, plant and equipment, net	6		(784,471)		(223,776)
Change in non-cash working capital	18		(22,871)		(1,681,058)
Cash used in investing activities			(607,342)		(1,904,834)
Cash from financing activities:					
Proceeds from share issuance, net of share issue costs	11		-		755,500
Cash from financing activities			-		755,500
Change in cash			(257,565)		(659,896)
Cash, beginning of year			450,132		1,110,028
Cash, end of year		$	192,567	$	450,132
Interest paid		$	2,846	$	22,250

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

1. Reporting entity

Relentless Resources Ltd. ("Relentless" or the "Company") is an Alberta incorporated TSX Venture Exchange listed oil and natural gas exploration and production Company whose business activities are focused in Western Canada. The Company has no subsidiaries. The Company's head office address is Suite 320, 700-4th Avenue SW, Calgary, Alberta T2P 3J4.

2. Basis of preparation

(a) Statement of compliance:

These financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") in effect December 31, 2013. The financial statements were authorized for issue by the Board of Directors on April 28, 2014.

(b) Basis of measurement:

These financial statements have been prepared on the historical cost basis except for share based payment transactions and certain financial instruments which are measured at fair value.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) 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 financial statements.
- IFRS 11, "Joint Arrangements," whereby joint arrangements are classified as either joint operations or joint arrangements, 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 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 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 financial statements other than additional disclosure requirements.
- 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 financial statements.

2. Basis of Preparation *(Continued)*

- 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.

(e) Future accounting policies:

- In May 2013, the IASB issued amendments to IAS 36 "Impairment of Assets" which reduces the circumstances in which the recoverable amount of CGUs is required to be disclosed and clarify the disclosures required when an impairment loss has been recognized or reversed in the period. The amendments are required to be adopted retrospectively for fiscal years beginning January 1, 2014, with earlier adoption permitted. These amendments will be applied by the Company on January 1, 2014 and the adoption will only impact the Company's disclosures in the notes to the financial statements in periods when an impairment loss or impairment reversal is recognized.
- In May 2013, the IASB issued IFRIC 21 "Levies," which was developed by the IFRS Interpretations Committee ("IFRIC"). IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that no liability should be recognized before the specified minimum threshold to trigger that levy is reached. IFRIC 21 is required to be adopted retrospectively for fiscal years beginning January 1, 2014, with earlier adoption permitted. IFRIC 21 will be applied by the Company on January 1, 2014 and the adoption may have an impact on the Company's accounting for production and similar taxes, which do not meet the definition of an income tax in IAS 12 "Income Taxes." The Company is currently assessing and quantifying the effect on its financial statements.
- The IASB has undertaken a three-phase project to replace IAS 39 "Financial Instruments: Recognition and Measurement" with IFRS 9 "Financial Instruments." In November 2009, the IASB issued the first phase of IFRS 9, which details the classification and measurement requirements for financial assets. Requirements for financial liabilities were added to the standard in October 2010. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value.
- The amendments to IFRS 2, issued in December 2013 clarify the definition of “vesting conditions”, and separately define a “performance condition” and a “service condition”. A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service. The amendments are effective for share-based payment transactions for which the grant date is on or after July 1, 2014. The Company does not expect this amendment to have a material impact on its financial statements.
- The amendments to IAS 24, issued in December 2013, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014.

3. Significant accounting policies

(a) Joint arrangements:

The Company conducts many of its oil and gas production activities through jointly controlled operations and the financial statements reflect only the Company's proportionate interest in such activities. Joint control exists for contractual arrangements governing the Company's assets whereby the Company has less than 100 per cent working interest, all of the partners have control of the arrangement collectively, and spending on the project requires unanimous consent of all parties that collectively control the arrangement and share the associated risks. The Company does not have any joint arrangements that are structured through joint venture arrangements.

(b) Revenue:

Revenue associated with the sale of crude oil, natural gas, condensate and natural gas liquids ("NGLs") owned by the Company is recognized when title is transferred from the Company to its customers. Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of crude oil, natural gas, condensate and NGLs (prior to deduction of transportation costs) is recognized when all of the following conditions have been satisfied:

- the Company has transferred the significant risks and rewards of ownership of the goods to the buyer;
- the Company retains no continuing managerial involvement to the degree usually associated with ownership or effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and,
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(c) Property, plant and equipment ("PP&E") and exploration and evaluation ("E&E") assets (note 6):

(i) Recognition and measurement:

E&E expenditures:

E&E expenditures, including the costs of acquiring licenses, technical services and studies, and exploration drilling and testing, initially are capitalized as exploration and evaluation assets according to the nature of the assets acquired. The costs are accumulated in cash generating units ("CGU's) by well, field or exploration area pending determination of technical feasibility and commercial viability. Costs incurred prior to obtaining the legal right to explore are expensed as incurred.

Technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proved or probable reserves are determined to exist. A review of each lease or field is carried out, in each reporting year, to ascertain whether proved or probable reserves have been discovered. Upon determination of proved or probable reserves, intangible exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to PP&E.

PP&E:

All costs directly associated with the development of oil, natural gas and liquids reserves are capitalized on an area-by-area basis. Development costs include expenditures for areas where technical feasibility and commercial viability has been determined. These costs include property acquisitions, development drilling, completion, gathering and infrastructure, decommissioning obligations and transfers from exploration and evaluation assets.

3. Significant accounting policies *(continued)*

For divestitures of properties, a gain or loss is recognized in the statement of comprehensive loss. Exchanges of properties are measured at fair value, unless the transaction lacks commercial substance or fair value cannot be reliably measured. Where the exchange is measured at fair value, a gain or loss is recognized in the statement of comprehensive loss.

(ii) Subsequent costs:

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of PP&E 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 income or loss as incurred. Such costs generally represent amounts incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in production and operating expenses as incurred.

(iii) Depletion and depreciation (note 6)

E&E expenditures are not depleted.

The net carrying value of PP&E is depleted using the unit of production method by reference to the ratio of production in the year to the related proved and probable reserves, 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 reserve engineers at least annually.

Proved and probable reserves are estimated using independent reserve engineer 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.

(d) 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.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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 statement of comprehensive loss in the period in which they are incurred.

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 the statement of comprehensive loss.

3. Significant accounting policies *(continued)*

(ii) Non-financial assets:

The Company's PP&E and E&E assets are grouped into CGUs for the purpose of assessing impairment. A CGU is a grouping of assets that generate cash inflows independently of other assets held by the Company. Geological formation, product type, geography and internal management are key factors considered when grouping the Company's PP&E and E&E assets into CGUs.

CGUs are reviewed at each reporting date for indicators of potential impairment. If such indicators exist, an impairment test is performed by comparing the CGU's carrying value to its recoverable amount, defined as the greater of a CGU's fair value less cost to sell and its current value in use. Any excess of carrying value over recoverable amount is recognized in the statements of comprehensive loss as an impairment charge.

These calculations require the use of estimates and assumptions. Unless indicated otherwise, the recoverable amount used in assessing impairment charges is fair value less costs to sell. The Company generally estimates fair value less costs to sell using a discounted cash flow model which has a significant number of assumptions. The model uses expected cash flows from proved plus probable reserves. Reserve estimates and expected future cash flows from production of reserves are subject to measurement uncertainty as discussed in note 4 and subject to variability to changes in forecasted commodity prices. The discount rate applied to the cash flows is also subject to management's judgment and will affect the recoverable amount calculated.

Commodity price changes impact the expected future cash flows which may require a material adjustment to the carrying value of tangible and intangible assets. The Company monitors internal and external indicators of impairment relating to its tangible and intangible assets. These indicators include changes in commodity prices, reserve volumes and discount rates.

The future cash flows are adjusted for risks specific to the asset and discounted using an appropriate discount rate. This discount rate is derived from the post-tax weighted average cost of capital for the Company's peer group.

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 the statement of comprehensive loss in the period in which they are incurred.

Impairment losses recognized in prior years 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 objective evidence of 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 or amortization, if no impairment loss had been recognized.

(e) Borrowing costs:

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying capital asset or project under construction are capitalized and added to the asset or project cost during construction until such time as the asset or project is substantially ready for its intended use. Where funds are specifically borrowed to finance an asset or project, the amount capitalized represents the actual amount of borrowing costs incurred. Where funds used to finance an asset or project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the year. All other borrowing costs are recognized in the statement of comprehensive loss in the year in which they are incurred.

3. Significant accounting policies *(continued)*

(f) Share based payments (note 13):

The Company has a stock option plan under which the Company grants employees, directors and certain consultants options to purchase common shares of the Company. The Board of Directors has approved a policy of reserving up to 10% of the outstanding common shares for issuance to eligible participants. All options are equity settled share based compensation plans and all options awarded have a maximum term of five years. Vesting is determined by the Board of Directors.

The Company accounts for its stock options using the fair value method. The options have an exercise price equal to the fair value of the security at the date of grant. The fair value of each option is estimated on the date of grant using a Black-Scholes option-pricing model. The fair value is charged to comprehensive loss over the vesting year with a corresponding increase to contributed surplus. The Company estimates a forfeiture rate on the grant date based on weighted average historical forfeitures and the rate is adjusted to reflect the actual number of options that actually vest. The expected life of the options granted is estimated, based on the Company's best estimate, for the effects of non-transferability, exercise restrictions and behavioural patterns.

(g) Decommissioning obligations (note 9):

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, using a risk-free rate, of management's best estimate of expenditures required to settle the present obligations at the statement of financial position date. Subsequent to the initial measurement, the obligation is adjusted at the end of each year to reflect the passage of time and changes in the estimated future cash flows underlying the obligations. The increase in the provision due to the passage of time is recognized as financing expense 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.

(h) Financial instruments:

(i) Non-derivative financial instruments:

Non-derivative financial instruments comprise cash, accounts receivable and accounts payable and accrued liabilities. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

Financial assets at fair value through profit or loss:

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in the statement of comprehensive loss in the year in which they are incurred.

3. Significant accounting policies *(continued)*

Held-to-maturity investments, loans and receivables and other financial liabilities:

Held-to-maturity investments, loans and receivables (which are non- derivative financial assets with fixed or determinable payments that are not quoted in an active market), and other financial liabilities are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method. The Company classifies cash and accounts receivable as loans and receivables, and classifies accounts payable and accrued liabilities as other financial liabilities.

Available-for-sale financial assets:

Non-derivative financial assets may be designated as available for sale so long as they are not classified in another category above. Available-for-sale financial assets are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at fair value with changes in fair value recognized in other comprehensive income ("OCI"), net of tax. Transaction costs related to the purchase of available-for-sale assets are recognized in the statements of comprehensive income (loss). Amounts recognized in OCI for available-for-sale financial assets are charged to earnings when the asset is derecognized or when there is a significant or prolonged decrease in the value of the asset. The Company does not classify any assets as available for sale.

(ii) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(i) Financing charges:

Financing charges comprises interest expense on bank borrowings, accretion on decommissioning obligations and accretion of deferred financing charges.

(j) Tax (note 10):

Tax expense comprises current and deferred tax. Tax expense is recognized in income or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the financial position method, providing 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 not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination and at the time of transaction affects neither tax nor accounting income or loss. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied when the asset is realized or liability settled, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference 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.

3. Significant accounting policies *(continued)*

(k) Loss per share (note 16):

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

(l) Flow-through shares:

The Company may finance a portion of its exploration activities through the issuance of flow-through common shares. Under the terms of the flow-through share agreements, the resource expenditure deductions for tax purposes are renounced to investors in accordance with the appropriate income tax legislation.

The proceeds from the sale of flow-through shares are allocated between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the fair market price of the existing shares and the amount the investor pays for the flow-through shares (given no other differences between the securities). A flow-through share liability is recognized for this difference. On a pro-rata basis, the previously recorded flow-through share liability is reduced and is credited to other income on the statement of comprehensive loss as qualifying expenditures are incurred.

(m) Fair value measurements:

The carrying value of cash is measured using level 1 inputs, accounts receivable, accounts payable and accrued liabilities included on the statement of financial position approximate their fair values due to the short-term nature of those instruments.

- 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.
- 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.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

4. Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting year. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future years could be material. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can materially differ from these estimates.

4. Significant accounting judgments, estimates and assumptions *(continued)*

In the process of applying the Company's accounting policies, management has made the following judgments, estimates, and assumptions which have the most significant effect on the amounts recognized in the financial statements:

(a) Accounts receivable:

Accounts receivable are recorded at the estimated recoverable amount. No allowance was required at December 31, 2013 (2012 – nil).

(b) Oil and gas reserves:

Oil and gas development and production properties are depleted on a unit of production basis at a rate calculated by reference to proved and probable reserves determined in accordance with the Society of Petroleum Engineers rules and incorporating the estimated future cost of developing and extracting those reserves. Also, oil and gas reserves are used to evaluate impairment of PP&E properties. Commercial reserves are determined using estimates of oil and natural gas in place, recovery factors, discount rates and forward future prices. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. There are numerous uncertainties inherent in estimating oil and gas reserves. Estimating reserves is very complex, requiring many judgments based on geological, geophysical, engineering and economic data. These estimates may change, having either a positive or negative impact on the statement of comprehensive loss as further information becomes available and as the economic environment changes.

(c) Depletion and depreciation (note 6):

Depletion of oil and gas properties is provided using the unit-of-production method and is based on production volumes (before royalties) in relation to total estimated gross proved and probable reserves as determined at year-end by the Company's independent engineers. Natural gas reserves and production are converted at the energy equivalent of six thousand cubic feet to one barrel of oil. Calculations for depletion of oil and gas properties including production equipment and facilities are based on total capitalized costs plus estimated future development costs of proved and probable reserves less the estimated net realizable value of production equipment and facilities after the reserves are fully produced. Exploration and evaluation costs are excluded from depletion calculations.

The calculation of the unit-of-production rate of depletion could be impacted to the extent that actual production in the future is different from current forecast production. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves.

These factors could include:

- Changes in proved and probable reserves.
- Changes in estimates of future development costs.
- The effect on proved and probable reserves of differences between actual production as compared to forecasts as well as commodity price assumptions.
- Unforeseen operational issues.

(d) Exploration and evaluation ("E&E") assets (note 6):

The decision to transfer assets from E&E to property, plant and equipment is based on the estimated proved and probable reserves which are in part used to determine a project's technical feasibility and commercial viability. The determination of future economic benefits requires judgment and estimates and assumptions may change as new information becomes available.

4. Significant accounting judgments, estimates and assumptions *(continued)*

(e) Cash Generating Unit:

The determination of CGUs requires judgment in defining the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risk and materiality.

(f) Impairment indicators:

The recoverable amounts of CGUs and individual assets have been determined based on the higher of value-in-use calculations and fair value less costs to sell. These calculations require the use of estimates and assumptions. Oil and gas development and production properties are evaluated for impairment by reference to proved and probable reserves determined in accordance with the Society of Petroleum Engineers rules. It is possible that oil and gas price assumptions may change which may then impact the estimated life of fields and may then require a material adjustment to the carrying value of E&E assets and property, plant and equipment. The Company monitors internal and external indicators of impairment relating to its tangible and intangible assets.

(g) Decommissioning obligations (note 9):

Decommissioning obligations will be incurred by the Company at the end of the operating life of certain facilities and properties. Decommissioning obligations are estimated based on current legal and constructive requirements, technology, price levels and expected plans for remediation and are inflated to the date of decommissioning of the asset and discounted at a risk-free rate. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant regulatory requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

(h) Share based payments (note 13):

The fair value of stock options and warrants granted is recognized using the Black-Scholes option pricing model. Measurement inputs include the Company's share price on the measurement date, the exercise price of the options and warrants, the expected volatility of the Company's shares, the expected life of the options and warrants, expected dividends and the risk-free rate of return. The Company estimates volatility based on the historical share price in the publicly traded markets. The expected life of the options and warrants is based on historical experience and estimates of the holder's behaviour. Dividends are not factored in as the Company does not expect to pay dividends in the foreseeable future. Management also makes an estimate of the number of options and warrants that will be forfeited and the rate is adjusted to reflect the actual number of options and warrants that actually vest.

(i) Taxes (note 10):

Tax regulations and legislation and the interpretations thereof in which the Company operates are subject to change. As such, taxes are subject to measurement uncertainty.

Deferred tax liabilities are recognized when there are taxable temporary differences that will reverse and result in a future outflow of funds to a taxation authority. The Company records a provision for the amount that is expected to be settled, which requires the application of judgment as to the ultimate outcome. Deferred tax liabilities could be impacted by changes in the Company's estimate of the likelihood of a future outflow and the expected settlement amount. As such, there may be a significant impact on the financial statements of future periods.

4. Significant accounting judgments, estimates and assumptions *(continued)*

Deferred tax assets are recognized to the extent that it is probable that the deductible temporary differences will be recoverable in future periods. The recoverability assessment involves a significant amount of estimation including an evaluation of when the temporary differences will reverse, an analysis of the amount of future taxable income, the availability of cash flow to offset the tax assets when the reversal occurs and the application of tax laws. To the extent that assumptions used in the recoverability assessment change, there may be a significant impact on the financial statements of future periods.

5. Financial instruments

Risk Management

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 one petroleum marketer and one natural gas marketer so that the exposure to any one entity is minimized. Oil sales make up 76% of the Company’s revenue and natural gas makes up the remaining 24% of revenue. The Company historically has not experienced any collection issues with its petroleum and natural gas marketers. Joint arrangement receivables are typically collected within one month of the joint arrangement bill being issued to the partner. The Company attempts to mitigate the risk from joint arrangement receivables by obtaining partner approval of significant capital expenditures prior to expenditure. The Company does not typically obtain collateral from joint arrangement 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.

The maximum exposure to credit risk at the financial position date was equal to the carrying value of accounts receivable and financial derivative contracts. As of December 31, 2013 and 2012, all receivables were current and there were no receivables provided for or written off during the year.

(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. 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 quarterly, 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.

5. Financial instruments *(continued)*

(ii) Foreign Currency Exchange Risk:

Foreign currency exchange rate risk is the risk that future cash flows will fluctuate as a result of changes in foreign exchange rates. Although substantially all of the Company's petroleum and natural gas sales are denominated in Canadian dollars, the underlying market prices in Canada for petroleum and natural gas are impacted by changes in the exchange rate between the Canadian and United States dollar. The Company had no forward exchange rate contracts or foreign denominated assets or liabilities in place as at or during the years ended December 31, 2013 and 2012.

(iii) Interest Rate Risk:

Interest rate risk is the 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 loss and comprehensive loss would have changed by $7,000 during the year ended December 31, 2013 (2012 - $7,000).

(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 liquidity to meet its liabilities when due without incurring unacceptable losses or risking harm to the Company's reputation. The Company prepares capital expenditures budgets which are regularly monitored and updated as considered necessary. As well, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures. To facilitate the capital expenditure program, the Company has a demand operating facility which is reviewed annually by the lender. All financial liabilities are due within 12 months.

(d) Capital Management:

The Company's objective when managing capital is to maintain a capital structure which allows it to execute its growth strategy through strategic acquisitions and expenditures on exploration and development activities, while maintaining a strong balance sheet.

The Company considers its capital structure to include working capital and shareholders' equity. Relentless monitors capital based on the ratio of net debt to annualized cash flow from operating activities before non-cash working capital items. The ratio represents the time period it would take to pay off the debt if no further capital expenditures were incurred and if cash flow from operating activities before non-cash working capital items remained constant. This ratio is calculated as net debt, defined as outstanding bank debt and working capital surplus excluding current portion of decommissioning obligations and flow through share liability, divided by cash from operating activities before non-cash working capital items for the most recent reporting period, annualized. The Company's strategy is to maintain a ratio of less than 2.0 to 1.

5. Financial instruments *(continued)*

As at December 31, 2013, The Company's ratio of surplus (debt) to cash from operating activities before non-cash working capital items was 0.47 to 1 (2012 – 0.87 to 1).

	Year ended December 31, 2013	**Year ended December 31, 2012**
Cash flow from operating activities, before non-cash working capital items	$385,592	$438,210
Working capital (excluding current portion of decommissioning obligations and flow through share liability) surplus	181,645	380,524
Surplus to cash flow from operating activities	0.47	0.87

In order to facilitate the management of this ratio, the Company prepares annual cash flow from operating activities and capital expenditure budgets, which are updated as necessary, and are reviewed and periodically approved by the Company's Board of Directors.

The Company manages its capital structure and makes adjustments by continually monitoring business conditions including: the current economic conditions; the risk characteristics of the Company's oil and natural gas assets; current and forecasted net debt levels; current and forecasted commodity prices; and other factors that influence commodity prices and funds from operations, such as quality and basis differentials, royalties, operating costs and transportation costs.

In order to maintain or adjust the capital structure, Relentless will consider: its forecasted ratio of net debt to forecasted cash flow from operating activities while attempting to finance an acceptable capital expenditure program including acquisition opportunities; the current level of bank credit available from the Company's lenders; the sale of assets; limiting the size of the capital expenditure program; issuance of new equity if available on favourable terms.

6. Property, plant and equipment (PP&E)

	PP&E Assets
Balance at December 31, 2011	$5,415,109
Additions during the year	223,776
Change in decommissioning obligations	(769)
Balance at December 31, 2012	$5,638,116
Additions during the year	2,560,188
Dispositions during the year	(4,932,106)
Change in decommissioning obligations	1,307,006
Balance at December 31, 2013	$4,573,204
Depletion, depreciation and impairment:	
Balance at December 31, 2011	($2,158,846)
Depletion and depreciation for the year	(479,673)
Impairment	(599,161)
Balance at December 31, 2012	($3,237,680)
Dispositions during the year	2,956,389
Depletion and depreciation for the year	(498,946)
Impairment	(1,590,393)
Balance at December 31, 2013	($2,370,630)
Net book value:	
Balance at December 31, 2012	$2,400,436
Balance at December 31, 2013	$2,202,574

Effective May 1, 2013 Relentless entered into an asset-exchange agreement with a private arm's length company to assign all of the Company's petroleum and natural gas ("P&NG") interests (3,002 net acres, 4 producing wells (3.02 net)) in south west Saskatchewan (Loverna) in exchange for the private company's interests in producing and undeveloped P&NG properties (53,723 net acres, 5 producing wells (3.91 net)) in central Alberta and a cash payment of $200,000. The assets acquired were fair valued at $1,775,717. The assets disposed of were fair valued at $1,975,717. Fair value was determined based on discounted cash flows of proved plus probable reserves using forecast future prices and a discount rate of 15%

(a) Collateral:

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

(b) Depletion:

At December 31, 2013 estimated future costs to develop the proved plus probable reserves of $36,000 (2012 - $172,000) were added to property, plant and equipment for depletion and depreciation purposes.

6. Property, plant and equipment (PP&E) *(continued)*

(c) Impairments:

At December 31, 2013, the Company evaluated its PP&E assets for impairment and recorded an impairment of $1,247,655 on the Willesden Green CGU due to decommissioning additions of $1,309,176 to the CGU during the year. 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 costs to sell (2%) based on discounted cash flows of proved plus probable reserves using forecast future prices and a discount rate of 15%.

During the year, the Company evaluated its PP&E assets for impairment and recorded an impairment of $342,738 on the Loverna, Saskatchewan CGU. The impairment was made for drilling costs incurred on a well in which the Company ultimately went penalty on and lost its working interest in. The impairment was based on the difference between the net book value of the assets and the recoverable amount. The recoverable amount was determined using fair value less costs to sell (2%) based on discounted cash flows of proved plus probable reserves using forecast future prices and a discount rate of 15%. The Loverna CGU was written down to its recoverable amount based on the future value of cash flows less costs to sell.

At December 31, 2012, as a result of decreasing commodity prices, Relentless recognized an impairment of $599,161 on its Loverna, Hays and Niton areas. The impairment charge was recorded as impairment of property, plant and equipment. 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 (2%) 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.

As a result of reduced forward commodity price outlook for natural gas and widening price differential for crude oil, impairment tests were carried out at December 31, 2013 and were based on the following commodity price estimates:

Year	WTI Crude Oil ($US/bbl)	Edmonton Light Crude Oil (Cdn$/bbl)	Natural Gas AECO ($Cdn/MMBtu)	Exchange Rate ($US/$Cdn)
2014	94.65	92.64	4.00	0.94
2015	88.37	89.31	3.99	0.94
2016	84.25	89.63	4.00	0.94
2017	95.52	101.62	4.93	0.94
2018	96.96	103.14	5.01	0.94
2019	98.41	104.69	5.09	0.94
2020	99.89	106.26	5.18	0.94
2021	101.38	107.86	5.26	0.94
2022	102.91	109.47	5.35	0.94
2023	104.45	111.12	5.43	0.94
2024	106.02	112.78	5.52	0.94
Remainder	+1.5%/year	+1.5%/year	+1.5%/year	0.94

(1) Source: Sproule, effective December 31, 2013

7. Flow through share liability

Balance at January 1, 2012	$125,000
Settlement of flow through share liability	(125,000)
Liability incurred on flow through shares issued in 2012 (note 11)	192,000
Balance at December 31, 2012	192,000
Settlement of flow through share liability	(192,000)
Balance at December 31, 2013	$ -

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.

During the year ended December 31, 2013, the Company made expenditures of $676,219 out of a required $800,000 under the flow through share program noted above. As a result of the spending shortfall, the Company is required to pay Part XII.6 tax of $14,224 and reimburse investors a total of $61,890 resulting in a total liability of $76,114 which is included in accounts payable and accrued liabilities as at December 31, 2013.

8. Demand operating facilities

As at December 31, 2013 and 2012, 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. 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 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 December 31, 2013 and 2012, the Company had not drawn on this loan facility.

For the year ended December 31, 2013 the Company incurred $2,500 (2012 – $2,500) in transaction costs associated with renegotiating the annual credit facility. The amount is included in finance expense on the statement of comprehensive loss.

9. Decommissioning obligations

A reconciliation of the decommissioning obligations is provided below:

	December 31, 2013	December 31, 2012
Balance, beginning of year	$303,172	$301,093
Additions - drilled	39,534	-
Additions – acquired	1,339,591	-
Dispositions	(129,566)	-
Change in estimate	57,447	(769)
Accretion	16,380	2,848
Balance, end of year	1,626,558	303,172
Less current portion of decommissioning obligations	(158,208)	(151,895)
Decommissioning obligations	$1,468,350	$151,277

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 $1,841,776 (2012 - $ 378,000) which will be incurred over the next 30 years (2012 – 30 years) with the majority of costs to be incurred between 2014 and 2042. The current decommissioning obligation is $158,208. An average risk-free rate of 2.02 percent (2012 – 1.46%) and an inflation rate of 2 percent (2012 – 2 %) were used to calculate the net present value of the decommissioning obligations. Accretion expense is included in finance expense on the statement of comprehensive loss.

10. Deferred taxes

The provision for deferred taxes is different from the amount computed by applying the combined statutory Canadian federal and provincial tax rates to pre-tax income for the period.

The tax on the Company's income before tax differs from the amount that would arise using the average tax rate applicable to profits of the Company as follows:

	December 31, 2013	December 31, 2012
Loss before tax	($1,690,666)	(528,682)
Combined federal and provincial tax rate	25.5%	26.0%
Expected tax recovery	(431,120)	(137,457)
Tax effects of:		
Non-deductible expenses	4,003	2,941
Flow through share renunciation, net of non-deductible indemnification costs and penalties	135,753	227,500
Impact of future tax rate changes and other	34,589	(1,363)
Changes in unrecognized deferred tax assets	256,775	(91,621)
Deferred tax expense (recovery)	-	-

The combined federal and provincial tax rate has been reduced from 26.0% to 25.5% due the disposition of the Company's assets in Saskatchewan.

10. Deferred 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:

	December 31, 2013	December 31, 2012
Property, plant and equipment	$111,104	$217,705
Decommissioning obligations	406,640	78,825
Share issue costs	13,507	22,316
Non-capital loss carry forwards	397,903	353,533
Unrecognized deferred tax assets	(929,154)	(672,379)
Deferred tax asset (liability)	$ -	$ -

The Company's non-capital losses expire as follows:

	December 31, 2013	December 31, 2012
2028	$ 773,349	$ 773,349
2029	348,535	348,535
2030	237,852	237,852
2032	6	6
2033	231,871	-
	$1,591,613	$1,359,742

11. Share capital

(a) Authorized

The authorized share capital of the Company is comprised of an unlimited number of voting common shares and preferred shares.

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.

(b) Issued

	December 31, 2013		December 31, 2012	
	Shares	Amount	Shares	Amount
Balance, beginning of year	30,025,085	$6,927,571	26,825,085	$6,365,920
Warrants expired	-	(1,849)	-	-
Issuance of common shares	-	-	3,200,000	608,000
Share issuance costs	-	-	-	(46,349)
Balance, end of year	30,025,085	$6,925,722	30,025,085	$6,927,571

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. A flow through share premium of $192,000 was set up as a current liability at December 31, 2012 with a corresponding reduction in share capital. 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 warrants expired on December 20, 2013.

12. Warrants

	December 31, 2013		December 31, 2012	
	Warrants	**Amount**	**Warrants**	**Amount**
Balance, beginning of year	66,750	-	-	-
Warrants expired	(66,750)	-	-	-
Warrants issued	-	-	66,750	-
Balance, end of year	-	-	66,750	-

In conjunction with the common shares issued on a "flow-through basis" in 2012, the Company issued a total of 66,750 finder's 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
Life	**1 year**
Share price	**$0.19**
Exercise price	**$0.25**
Volatility	**60%**
Risk-free rate	**1.20%**
Dividend yield	**Nil**

As at December 31, 2013, nil warrants (2012 – 66,250) remain outstanding.

13. Share based compensation

Stock options

The Company has a stock option plan (the "Plan") for its officers, directors, employees and consultants. Under the Plan, the Company may grant options for up to 10% of the outstanding common shares. The options have a five year term and vest immediately. The exercise price of each option granted equals the market price of the Company's stock immediately preceding the date of grant. The polices of the TSX Venture Exchange require "rolling" stock option plans to be approved on an annual basis by the shareholders of a listed issuer. The number and weighted average exercise prices of share options for the years ended December 31, 2013 and 2012 are as follows:

	2013		2012	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding, beginning of year	**1,612,500**	**$0.20**	1,720,000	$0.21
Expired	**-**	**-**	(32,500)	0.60
Cancelled	**-**	**-**	(150,000)	0.31
Granted	**1,150,000**	**$0.17**	75,000	$0.16
Outstanding at year end	**2,762,500**	**$0.19**	1,612,500	$0.20
Exercisable at year end	**2,762,500**	**$0.19**	1,612,500	$0.20

The range of exercise prices of the outstanding options at December 31, 2013 is a follows:

	Options outstanding	Weighted average contractual life (years)
0.10	787,500	1.7
0.16	75,000	3.7
0.30	750,000	2.3
0.17	1,150,000	4.5
$ 0.10 to 0.30	2,762,500	3. 11

13. Share based compensation *(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:

	2013	2012
Fair value at grant date	**$0.14**	$0.14
Share price	**$0.17**	$0.16
Exercise price	**$0.17**	$0.16
Volatility	**120%**	127%
Option life	**5 years**	5 years
Dividends	**-%**	-%
Risk-free interest rate	**1.73%**	1.36%

14. Contributed surplus

	December 31, 2013	December 31, 2012
Balance, beginning of year	$640,422	$628,363
Warrants expired	1,849	-
Warrants issued	-	1,849
Share based compensation	162,539	10,210
Balance, end of year	$804,810	$640,422

15. Other income

	December 31, 2013	December 31, 2012
Flow through share premium (note 7)	$192,000	$125,000
Proceeds from untendered shares	146,842	-
Flow through share indemnity (note 7)	(61,890)	-
Part XII.6 tax (note 7)	(14,224)	-
Total	$262,728	$125,000

As a result of a Plan of Arrangement carried out in 2006, on the seventh anniversary of the closing of the Plan of Arrangement, the Company was refunded $146,842 for shares untendered to the offer. A total of 734,211 shares were untendered at a price of $0.20 per share.

16. Loss per share

	Year ended December 31, 2013	**Year ended December 31, 2012**
Net and comprehensive loss for the year	($1,690,666)	($528,682)
Net and comprehensive loss per share, basic and diluted	($0.06)	($0.02)
Weighted average shares outstanding	30,025,085	26,921,523

17. Related party transactions

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

Key Management Compensation

Key management include all officers and directors of the Company.

	Year ended December 31, 2013	Year ended December 31, 2012
Consulting fees	$164,660	$158,060
Share based compensation	162,539	10,210
	$327,199	$168,270

During the year ended December 31, 2013, the Company paid $33,119 (2012 - $26,400) to a company related by a common member of management for shared office costs. At year end, included in accounts payable and accrued liabilities is $8,068 (2012 - $7,405) and included in accounts receivable is $nil (2012 - $1,055) related to these amounts.

18. Supplemental cash flow information

	Year ended December 31, 2013	Year ended December 31, 2012
Change in non-cash working capital items:		
Accounts receivable	$35,963	$49,669
Inventory	-	9,500
Prepaid expenses and deposits	(111,388)	(7,941)
Accounts payable and accrued liabilities	16,739	(1,681,058)
	($58,686)	($1,629,830)
Amount related to operating activities	($35,815)	$51,228
Amount related to investing activities	(22,871)	(1,681,058)
	($56,686)	($1,629,830)

19. Revenue by product

	Year ended December 31, 2013	Year ended December 31, 2012
Oil revenue	$1,007,089	$1,240,396
Natural gas revenue	326,785	204,234
Total revenue	$1,333,874	$1,444,630

20. Contingency

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. The $1,000,000 was renounced to the investors as deemed CEE under the look-back rules on December 31, 2010.

In Q1 and Q2 2011 the Company drilled a well at Loverna with drilling and completion costs totalling $1,598,719.

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 $1,000,000 was renounced to the investors as deemed CEE on December 31, 2011.

In Q4 2011 the Company drilled a second well at Loverna with drilling and completion costs totalling $1,508,679.

In Q1 2014 Canada Revenue Agency ("CRA") performed an audit of the Company's flow through share issuances in 2010 and 2011. CRA ruled that even though the renunciations of $1,000,000 were made in two separate years, the actual expenditures were all made in 2011 and therefore only $1,000,000 of deemed CEE is allowed.

Relentless is refuting the ruling through several avenues. If it is determined that the first well was in fact an exploration well then the December, 2010 FTS will be CEE and not deemed CEE and there will be no effect on the investors. If it is determined that both wells are development wells then there will be a reassessment.

The estimated outcome of the reassessment, if any, ranges from $50,000 to $500,000. At December 31, 2013 no amount has been recorded in the Company's financial statements as the outcome of reassessment is not determinable.

21. Subsequent events

The Company's board of directors approved the issuance of stock options effective February 3, 2014, to purchase 240,000 common shares of the Company at a price of $0.14, exercisable until February 2, 2019. The options vest immediately and are being issued to officers and directors of the Company in accordance with the Company's stock option plan.

On February 11, 2014, the Company closed a non-brokered private placement offering of units, by issuing 4,285,714 units at a price of $0.105 per unit for gross proceeds of $450,000. Each unit comprises one common share and one-half of a share purchase warrant of the Company, resulting in the issuance of 4,285,714 common shares and 2,142,857 warrants under the offering. Subject to vesting, each whole warrant is exercisable into one common share until February 10, 2019, at a price of $0.14 per share. The warrants vest and become exercisable as to one-third upon the 20-day weighted-average trading price of the common shares equalling or exceeding $0.20, an additional one-third upon the market price equalling or exceeding $0.25, and a final one-third upon the market price equalling or exceeding $0.30. All securities issued under the offering, including the common shares issuable upon exercise of the warrants, are subject to a four-month-plus-a-day hold period from the date of issuance expiring June 11, 2014, in accordance with applicable securities laws.

The Company's board of directors approved the issuance of stock options effective February 11, 2014, to purchase 428,580 common shares of the Company at a price of $0.19 per share, exercisable until February 11, 2019. The options vest immediately and are being issued to officers and directors of the Company in accordance with the Company's stock option plan.

Relentless Resources Ltd.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three months and years ended December 31, 2013 and 2012

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Relentless Resources Ltd. ("Relentless" or the "Company"), is dated April 28, 2014. The MD&A should be read in conjunction with the financial statements dated December 31, 2013. Relentless's Board of Directors reviewed and approved the December 31, 2013 financial statements and related MD&A on April 28, 2014. *Additional information about Relentless is available on SEDAR at www.sedar.com or on the Company`s website at www.relentless-resources.com*

IFRS - This MD&A and the financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS").

NON-IFRS MEASURES - This MD&A provides certain financial measures that do not have a standardized meaning prescribed by IFRS. These non-IFRS financial measures may not be comparable to similar measures presented by other issuers. Cash flow from operations, operating netback and net surplus are not recognized measures under IFRS. Management believes that in addition to net income (loss), cash flow from operations, operating netback and net surplus are useful supplemental measures that demonstrate the Company's ability to generate the cash necessary to repay debt or fund future capital investment. Investors are cautioned, however, that these measures should not be construed as an alternative to net income (loss) determined in accordance with IFRS as an indication of Relentless's performance. Relentless's method of calculating these measures may differ from other companies and accordingly, they may not be comparable to measures used by other companies. Cash flow from operations is calculated by adjusting net income (loss) for other income, accretion, share based compensation, impairment and depletion and depreciation. Operating netback is calculated based on oil and gas revenue less royalties and operating expenses. Net surplus is the total of accounts receivable and prepaid and deposits, less accounts payable.

BOE REFERENCE - Reference is made to barrels of oil equivalent ("BOE" or "boe"). BOE may be misleading, particularly if used in isolation. In accordance with National Instrument 51-101, a BOE conversion ratio of six mcf of natural gas to one bbl of oil has been used, which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

READER ADVISORY REGARDING FORWARD LOOKING INFORMATION - Certain information set forth in this document, including management's assessment of Relentless's future plans and operations, contains forward-looking statements including: (i) forecasted capital expenditures and plans; (ii) exploration, drilling and development plans; (iii) prospects and drilling inventory and locations; (iv) anticipated production rates; (v) expected royalty rates; (vi) anticipated operating and service costs; (vii) financial strength; (viii) incremental development opportunities; (ix) total shareholder return; (x) growth prospects; (xi) sources of funding; (xii) decommissioning costs; (xiii) future crude oil and natural gas prices; (xiv) future drilling completion and tie-in of wells; and future acquisitions, which are provided to allow investors to better understand our business. Words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue" , "budget, "outlook", "forecast" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risk and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, management cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and the Company assumes no obligation except as required by law to update or review them to reflect new events or circumstances.

Forward-looking statements and other information contained herein concerning the oil and gas industry and the Company's general expectations concerning this industry are based on estimates prepared by management using data from publicly available industry sources as well as from reserve reports, market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Company is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors.

Asset Exchange

Effective May 1, 2013 Relentless entered into an asset-exchange agreement with a private arm's length company to assign all of the Company's petroleum and natural gas (P&NG) interests (3,002 net acres, 4 producing wells (3.02 net)) in southwest Saskatchewan (Loverna) in exchange for the private company's interests in producing and undeveloped petroleum and natural gas properties (53,723 net acres, 5 producing wells (3.91 net)) in west central Alberta (Willesden Green) and a cash payment of $200,000. The assets acquired were fair valued at $1,775,717. The assets disposed of were fair valued at $1,975,717. The overall effect of the asset swap effective May 1, 2013 was:

(1) an increase in undeveloped crown land holdings in west central, Alberta (84 sections); and

(2) a reduction in oil and NGL volumes and an increase in natural gas volumes. The breakdown of production by area in Q4 2013 versus Q4 2012 is presented below:

	Q4 2013			**Q4 2012**		
	Oil and NGL Bbl/day	Gas Mcf/day	**boe/day**	Oil and NGL Bbl/day	Gas Mcf/day	**boe/day**
Loverna	-	-	**-**	22	-	**22**
Gordondale	3	112	**22**	3	157	**29**
Willesden Green	18	85	**32**	-	-	**-**
Niton	2	28	**7**	1	19	**4**
Other	1	12	**3**	1	22	**5**
Total	24	237	**64**	27	198	**60**

Operations

In 2013, the Company produced an average of 75 boe/d, comprised of 33 bbl/d of oil and NGL and 254 mcf/d of natural gas, as compared to 42 bbl/day of oil and NGL and 209 mcf/day of natural gas in 2012. In 2013 field operating netbacks per boe were $25.57 as compared to $29.60 in 2012.

Financial

Cash flow from operating activities before changes in non-cash working capital in 2013 was $385,592 on revenues of $1,333,874 as compared to cash flow of $438,210 on revenues of $1,444,630 in 2012. In 2013 cash flow netbacks were $14.03/boe as compared to $15.62/boe in 2012.

Corporate Update

On February 3, 2014 the Company appointed Ronald J. Peshke, P. Eng. as President and as a member of the Company's board of directors, and Hugh M. Thomson, CA as Vice-President, Finance, and Chief Financial Officer.

On February 11, 2014 Relentless completed a non-brokered private placement of 4,285,714 units at a price of $0.105 per unit for gross proceeds of $450,000. Each unit was composed of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one common share at a price of $0.14 for a period of five years. The warrants will vest and become exercisable as to one-third upon the 20-day weighted-average trading price of the common shares equaling or exceeding $0.20, an additional one-third upon the market price equaling or exceeding $0.25, and a final one-third upon the market price equaling or exceeding $0.30.

Financial and Operating Summary

		Three months ended December 31			
		2013		2012	% Change
Oil and gas revenue	$	**273,166**	$	257,126	6
Cash flow from operations (1)		**23,376**		15,926	47
Per share - basic and diluted (1)		**0.00**		0.00	-
Comprehensive loss		**(1,153,943)**		(750,946)	54
Per share - basic and diluted		**(0.04)**		(0.03)	33
Total assets		**2,650,046**		3,030,048	(13)
Net surplus (1)		**181,645**		380,524	(52)
Capital expenditures, net	$	**36,384**	$	-	100
Shares outstanding - end of period		**30,025,085**		30,025,085	-
Oil and NGLs (bbl/day)		**24**		27	(11)
Natural gas (mcf/day)		**237**		195	22
Total oil equivalent (boe/day @ 6:1)		**64**		60	7

		Years ended December 31			
		2013		2012	% Change
Oil and gas revenue	$	**1,333,874**	$	1,444,630	(8)
Cash flow from operations (1)		**385,592**		438,210	(12)
Per share - basic and diluted (1)		**0.01**		0.02	(50)
Comprehensive loss		**(1,690,666)**		(528,682)	220
Per share - basic and diluted		**(0.06)**		(0.02)	(200)
Total assets		**2,650,046**		3,030,048	(13)
Net surplus (1)		**181,645**		380,524	(52)
Capital expenditures, net	$	**584,471**	$	223,776	261
Shares outstanding - end of period		**30,025,085**		30,025,085	-
Oil and NGLs (bbl/day)		**33**		42	(22)
Natural gas (mcf/day)		**254**		209	21
Total oil equivalent (boe/day @ 6:1)		**75**		77	2

(1) Non IFRS measure

Earnings and Cash Flow Summary

Three months ended December 31	***2013***	*2012*	*% Change*	***2013***	*2012*	*% Change*
				($ / boe)	*($ / boe)*	
Oil and natural gas sales	**273,166**	257,126	6	**46.76**	46.63	0
Royalties	**(32,076)**	(19,200)	67	**(5.49)**	(3.48)	58
Revenue after royalties	**241,090**	237,926	1	**41.27**	43.15	(4)
Production and operating expenses	**(136,075)**	(106,812)	27	**(23.29)**	(19.37)	20
Operating cash flow (1)	**105,015**	131,114	(20)	**17.98**	23.78	(24)
General & administrative expenses	**(152,947)**	(109,272)	40	**(26.18)**	(19.82)	32
Other income	**70,728**	-	100	**12.11**	0.00	100
Interest and other financing charges	**580**	(5,916)	(110)	**0.10**	(1.07)	(109)
Cash flow from operations (1)	**23,376**	15,926	47	**4.01**	2.89	39
Other income	**-**	-	-	**0.00**	0.00	-
Share based compensation	**(51,001)**	(3,763)	1,255	**(8.73)**	(0.68)	1,179
Accretion	**163,848**	647	25,224	**28.05**	0.12	23,803
Impairment	**(1,119,616)**	(599,161)	100	**(191.65)**	(108.66)	100
Depletion and depreciation	**(170,550)**	(164,595)	4	**(29.19)**	(29.85)	(2)
Comprehensive loss	**(1,153,943)**	(750,946)	54	**(197.51)**	(136.18)	45
$ Per Share – Basic	(0.04)	(0.03)				
$ Per Share - Diluted	(0.04)	(0.03)				

Years ended December 31	***2013***	*2012*	*% Change*	***2013***	*2012*	*% Change*
				($ / boe)	*($ / boe)*	
Oil and natural gas sales	**1,333,874**	1,444,630	(8)	**48.55**	51.50	(6)
Royalties	**(103,720)**	(82,992)	25	**(3.78)**	(2.96)	28
Revenue after royalties	**1,230,154**	1,361,638	(10)	**44.77**	48.54	(8)
Production and operating expenses	**(527,577)**	(531,417)	(1)	**(19.20)**	(18.94)	1
Operating cash flow (1)	**702,577**	830,221	(15)	**25.57**	29.60	(14)
General & administrative expenses	**(384,867)**	(369,620)	4	**(14.01)**	(13.18)	6
Other income	**70,728**	-	100	**2.57**	0.00	100
Interest and other financing charges	**(2,846)**	(22,391)	(87)	**(0.10)**	(0.80)	(87)
Cash flow from operations (1)	**385,592**	438,210	(12)	**14.03**	15.62	(10)
Other income	**192,000**	125,000	54	**6.99**	4.46	57
Share based compensation	**(162,539)**	(10,210)	1,492	**(5.92)**	(0.36)	(100)
Accretion	**(16,380)**	(2,848)	475	**(0.60)**	(0.10)	487
Impairment	**(1,590,393)**	(599,161)	165	**(57.89)**	(21.36)	100
Depletion and depreciation	**(498,946)**	(479,673)	4	**(18.16)**	(17.10)	6
Comprehensive loss	**(1,690,666)**	(528,682)	220	**(61.55)**	(18.84)	227
$ Per Share – Basic	**(0.06)**	(0.02)				
$ Per Share - Diluted	**(0.06)**	(0.02)				

(1) Non IFRS measure

Eight Quarter Analysis

Daily Production and Commodity Prices

Three months ended	2013 December 31	2013 September 30	2013 June 30	2013 March 31	2012 December 31	2012 September 30	2012 June 30	2012 March 31
Daily production								
Oil and NGLs (bbl/day)	24	38	35	32	27	32	50	59
Natural gas (mcf/day)	237	301	253	222	195	169	234	236
Oil equivalent (boe/day @ 6:1)	64	88	77	69	60	60	89	98
Realized commodity prices ($CDN)								
Oil and NGLs (bbl)	$84.68	$90.14	$86.63	$76.81	$75.30	$75.18	$77.65	$87.01
Natural gas (mcf)	$3.96	$2.83	$3.87	$3.54	$3.77	$2.56	$2.10	$2.38
Oil equivalent (boe @ 6:1)	$46.76	$48.60	$52.65	$48.75	$46.63	$47.32	$49.70	$59.40

Oil and Natural Gas Revenue by Product

REVENUE BY PRODUCT

Three months ended	2013 December 31	2013 September 30	2013 June 30	2013 March 31	2012 December 31	2012 September 30	2012 June 30	2012 March 31
Oil and NGL revenue	186,933	315,127	278,941	226,120	189,602	221,335	357,212	472,265
Natural gas revenue	86,233	78,338	89,965	72,218	67,524	39,857	45,287	51,666
Total revenue	273,166	393,465	368,906	298,338	257,126	261,192	402,499	523,931
% Oil and NGLs	68%	80%	76%	76%	74%	85%	89%	90%
% Natural gas	32%	20%	24%	24%	26%	15%	11%	10%

Cash Flow from Operations

Three months ended	2013 December 31	2013 September 30	2013 June 30	2013 March 31	2012 December 31	2012 September 30	2012 June 30	2012 March 31
Oil and natural gas sales	273,166	393,465	368,906	298,338	257,126	261,192	402,499	523,931
Royalties	(32,076)	(42,299)	(21,656)	(7,689)	(19,200)	(7,817)	(22,848)	(33,345)
Revenue after royalties	241,090	351,166	347,250	290,649	237,926	253,375	379,651	490,586
Production and operating expenses	(136,075)	(111,262)	(120,020)	(160,221)	(106,812)	(122,007)	(153,177)	(149,421)
Operating cash flow (1)	**105,015**	**239,904**	**227,230**	**130,428**	**131,114**	**131,368**	**226,474**	**341,165**
General & administrative expenses	(152,947)	(70,823)	(101,848)	(59,249)	(109,272)	(65,389)	(113,546)	(81,413)
Other income	70,728	-	-	-	-	-	-	-
Interest and other financing charges	580	(545)	(3,456)	665	(5,916)	(11,079)	(4,708)	(589)
Cash flow from operations (1)	**23,376**	**168,536**	**121,926**	**71,844**	**15,926**	**54,900**	**108,220**	**259,163**

(1) Non IFRS measure

Operating and Cash Flow Netbacks

Three months ended	2013 December 31	2013 September 30	2013 June 30	2013 March 31	2012 December 31	2012 September 30	2012 June 30	2012 March 31
($/boe)								
Revenue	46.76	48.60	52.65	48.75	46.63	47.32	49.70	59.40
Royalties	(5.49)	(5.22)	(3.09)	(1.26)	(3.48)	(1.42)	(2.82)	(3.78)
Operating expenses	(23.29)	(13.74)	(17.13)	(26.18)	(19.37)	(22.10)	(18.91)	(16.94)
Operating netback (1)	**17.98**	**29.64**	**32.43**	**21.31**	**23.78**	**23.80**	**27.97**	**38.68**
General and administrative expenses	(26.18)	(8.75)	(14.54)	(9.68)	(19.82)	(11.85)	(14.02)	(9.23)
Other income	12.11	-	-	-	-	-	-	-
Interest expense	0.10	(0.07)	(0.49)	0.11	(1.07)	(2.01)	(0.58)	(0.07)
Cash flow netback (1)	**4.01**	**20.83**	**17.40**	**11.74**	**2.89**	**9.94**	**13.37**	**29.38**

(1) Non IFRS measure

Daily Production and Commodity Prices

In the fourth quarter of 2013, total production increased 7% to 64 boe/day as compared to 60 boe/day for the same period a year ago.

Oil and NGL production decreased 11% to 24 bbl/day in the fourth quarter of 2013 down from 27 bbl/day for the same /period in 2012.

Natural gas production increased by 22% to 237 mcf/day in the fourth quarter of 2013 compared to 195 mcf/day for the same period a year ago.

For the three months ended December 31, 2013, oil prices increased 12% to $84.68 per bbl compared to $75.30 per bbl for the same period a year ago. For the three months ended December 31, 2013, natural gas prices increased 5% to $3.96 per mcf, when compared to $3.77 per mcf realized in the same period in 2012.

Three months ended December 31,	**2013**	**2012**	**% Change**
Daily production			
Oil and NGLs (bbl/day)	**24**	27	(11)
Natural gas (mcf/day)	**237**	195	22
Oil equivalent (boe/day @ 6:1)	**64**	60	7
Realized commodity prices ($CDN)			
Oil and NGLs (bbl)	$ **84.68**	$ 75.30	12
Natural gas (mcf)	**3.96**	3.77	5
Oil equivalent (boe @ 6:1)	$ **46.76**	$ 46.63	-

For the year ended December 31, 2013 total production decreased 2% to 75 boe/day when compared to 77 boe/day in 2012. Oil production decreased 22% to 33 bbl/day in 2013 from 42 bbl/day in 2012. Natural gas production averaged 254 mcf/day in 2013 compared to 209 mcf/day in 2012.

For the year ended December 31, 2013, oil prices increased by 4% to $83.66 per bbl compared to $80.82 per bbl in 2012. For the year ended December 31, 2013, natural gas prices increased 32% to $3.53 per mcf compared to $2.68 per mcf in 2012.

Years ended December 31,		2013		2012	% Change
Daily production					
Oil and NGLs (bbl/day)		**33**		42	(22)
Natural gas (mcf/day)		**254**		209	21
Oil equivalent (boe/d @ 6:1)		**75**		77	(2)
Realized commodity prices ($CDN)					
Oil and NGLs (bbl)	$	**83.66**	$	80.82	4
Natural gas (mcf)		**3.53**		2.68	32
Oil equivalent (boe @ 6:1)	$	**48.55**	$	51.50	(6)

Oil and Natural Gas Revenue by Product

Oil and NGL revenue decreased by 1% in Q4 2013 as oil and NGL volumes decreased by 11%, while oil and NGL prices increased by 12% over the same period last year. The 28% increase in natural gas revenues is due to a 5% increase in average price and a 22% increase in gas volumes as compared to Q4 2012. Oil and NGLs revenue comprised 68% of total revenue in Q4 2013 as compared to 74% in 2012.

Three months ended December 31,		2013		2012	% Change
Oil and NGLs	$	**186,933**	$	189,602	(1)
Natural gas		**86,233**		67,524	28
Total revenue	$	**273,166**	$	257,126	6
% Oil and NGLs		**68%**		74%	
% Natural gas		**32%**		26%	

Oil and NGLs revenue decreased by 19% in the year ended December 31, 2013 as oil and NGL volumes decreased by 22% while oil and NGL prices increased by 4%. The 60% increase in natural gas revenues is due to a 32% increase in average prices and a 21% increase in average daily volume. Oil and NGLs revenue comprised 76% of total revenue in the year ended December 31, 2013 as compared to 86% in 2012.

Years ended December 31,		2013		2012	% Change
Oil and NGLs	$	**1,007,088**	$	1,240,396	(19)
Natural gas		**326,786**		204,234	60
Total revenue	$	**1,333,874**	$	1,444,630	(8)
% Oil and NGLs		**76%**		86%	
% Natural gas		**24%**		14%	

Oil and Natural Gas Revenue

Oil and natural gas revenue for the fourth quarter of 2013 increased by 6% to $273,166 when compared to $257,126 in Q4 2012 due to a 7% increase in total volumes.

Three months ended December 31,		2013		2012	% Change	2013 ($ / boe)	2012 ($ / boe)
Oil and natural gas revenue	$	273,166	$	257,126	6	46.76	46.63

Oil and natural gas revenue for the year ended December 31, 2013 decreased 8% to $1,333,874 when compared to $1,444,630 in 2012 due to a 22% increase in total oil and NGL volumes.

Years ended December 31,		2013		2012	% Change	2013 ($ / boe)	2012 ($ / boe)
Oil and natural gas revenue	$	1,333,874	$	1,444,630	(8)	48.55	51.50

Royalties

For the three months ended December 31, 2013, royalties increased by 67% to $32,076 from $19,200 for the same period a year ago due to higher royalty rates on new producing wells acquired in the assets swap completed in May, 2013.

Royalties per boe increased 58% to $5.49 compared to $3.48 in the same period last year. Royalties as a percentage of revenues for the fourth quarter of 2013 increased to 12% when compared to 7% for the same period in 2012.

Three months ended December 31,		2013		2012	% Change	2013 ($ / boe)	2012 ($ / boe)
Royalties	$	32,076	$	19,200	67	5.49	3.48

For the year ended December 31, 2013, royalties increased by 25% to $103,720 from $82,992 in 2012 due to higher royalty rates on new producing wells acquired in the assets swap completed in May, 2013. Royalties per boe increased 28% to $3.78 compared to $2.96 in 2012. Royalties as a percentage of revenues for the year ended December 31, 2013 increased to 8% when compared to 6% in 2012.

Years ended December 31,		2013		2012	% Change	2013 ($ / boe)	2012 ($ / boe)
Royalties	$	103,720	$	82,992	25	3.78	2.96

Production and Operating Expenses

For the three months ended December 31, 2013 operating expenses increased by 27% to $136,075 compared to $106,812 for the same period a year ago. The increase was due to higher lease rental on crown land acquired in the asset exchange, as well as increased oil processing and treating fees, and higher repair and maintenance costs.

On a per boe basis production and operating expenses increased by 20% to $23.29 per boe as compared to $19.37 per boe for the same period in 2012. Production and operating expenses as a percentage of revenues the three months ended December 31, 2013 increased to 50% when compared to 42% in 2012.

Three months ended December 31,		**2013**		2012	% Change	**2013 ($ / boe)**	2012 ($ / boe)
Production and operating expenses	**$**	**136,075**	$	106,812	27	**23.29**	19.37

For the year ended December 31, 2013 operating expenses decreased 1% to $527,577 compared to $531,417 for the same period a year ago. On a per boe basis 2013 production and operating expenses increased by 1% to $19.20 per boe as compared to $18.94 per boe in 2012. Production and operating expenses as a percentage of revenues for the year ended December 31, 2013 increased to 40% when compared to 37% in 2012.

Years ended December 31,		**2013**		2012	% Change	**2013 ($ / boe)**	2012 ($ / boe)
Production and operating expenses	**$**	**527,577**	$	531,417	(1)	**19.20**	18.94

General & Administrative Expenses

In the three months ended December 31, 2013 general and administrative expenses increased by 40% to $152,947 as compared to $109,272 in the same period in 2012 due to year-end audit and reserve reporting accruals.

Three months ended December 31,		**2013**		2012	% Change	**2013 ($ / boe)**	2012 ($ / boe)
General and administrative expenses	**$**	**152,947**	$	109,272	40	**26.18**	19.82

General and administrative expenses, after overhead recoveries, increased 4% to $384,867 for the year ended December 31, 2013 down from $369,620 in 2012.

Years ended December 31,		**2013**		2012	% Change	**2013 ($ / boe)**	2012 ($ / boe)
General and administrative expenses	**$**	**384,867**	$	369,620	4	**14.01**	13.18

Interest expense

Three months ended December 31,		**2013**		2012	% Change	**2013 ($ / boe)**	2012 ($ / boe)
Interest (income) expense	**$**	**580**	$	(5,916)	(110)	**0.10**	(1.07)

For the year ended December 31, 2013, interest expense and bank charges decreased by 87% to $2,846 as compared to $22,391 in 2012. In 2012 the company carried bank debt of between $200,000 and $500,000 during the year whereas in 2013 the Company did not carry any bank debt.

Years ended December 31,		2013		2012	% Change	2013 ($ / boe)	2012 ($ / boe)
Interest expense	$	**2,846**	$	22,391	(87)	**0.10**	0.80

Other Income

	December 31, 2013	December 31, 2012
Flow through share premium	$192,000	$125,000
Proceeds from untendered shares	146,842	-
Flow through share indemnity	(61,890)	-
Part XII.6 tax	(14,224)	-
Total	$262,728	$125,000

The proceeds from the sale of flow-through shares are allocated between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the fair market price of the existing shares and the amount the investor pays for the flow-through shares (given no other differences between the securities). A flow-through share liability is recognized for this difference. On a pro-rata basis, the previously recorded flow-through share liability is reduced and is credited to other income on the statement of comprehensive loss as qualifying expenditures are incurred.

As a result of a Plan of Arrangement carried out in 2006, on the seventh anniversary of the closing of the Plan of Arrangement, the Company was refunded $146,842 for shares untendered to the offer. A total of 734,211 shares were untendered at a price of $0.20 per share.

During the year ended December 31, 2013, the Company made expenditures of $676,219 out of a required $800,000 under the flow through share program noted above. As a result of the spending shortfall, the Company is required to pay Part XII.6 tax of $14,224 and reimburse investors a total of $61,890 resulting in a total liability of $76,114 which is included in accounts payable and accrued liabilities as at December 31, 2013.

Share Based Compensation

On July 15, 2013, the Company issued 1,150,000 stock options to management and directors. The options vest immediately and are exercisable at a price of $0.165 per common share. The share based compensation associated with the issuance is $162,539. As at December 31, 2013, the weighted average remaining life for the options granted during the year is 4.54 years.

The significant assumptions for options granted during 2013 were as follows:

	2013	2012
Fair value at grant date	**$0.14**	$0.14
Share price	**$0.17**	$0.16
Exercise price	**$0.17**	$0.16
Volatility	**120%**	127%
Option life	**5 years**	5 years
Dividends	**-%**	-%
Risk-free interest rate	**1.73%**	1.36%

Three months ended December 31,		2013		2012	% Change	2013 ($ / boe)	2012 ($ / boe)
Share based compensation	**$**	**51,001**	$	3,763	1,255	**8.73**	0.68

Years ended December 31,		2013		2012	% Change	2013 ($ / boe)	2012 ($ / boe)
Share based compensation	**$**	**162,539**	$	10,210	1,492	**5.92**	0.36

Depletion and Depreciation

Depletion and depreciation per boe in Q4 2013 was $29.19 per boe as compared to $29.85 per boe in Q4 2012.

Three months ended December 31,		2013		2012	% Change	2013 ($ / boe)	2012 ($ / boe)
Depletion and depreciation	**$**	**170,550**	$	164,595	4	**29.19**	29.85

Depletion and depreciation per boe for the year ended December 31, 2013 was $18.16 per boe as compared to $17.10 per boe for the same period in 2012.

Years ended December 31,		2013		2012	% Change	2013 ($ / boe)	2012 ($ / boe)
Depletion and depreciation	**$**	**498,946**	$	479,673	4	**18.16**	17.10

Cash Flow from Operations

For the three months ended December 31, 2013, Relentless had cash flow from operations of $23,376 ($0.00/share, basic and diluted) up from $15,927 ($0.00/share, basic and diluted) for the same period in 2012.

Three months ended December 31		2013		2012
Net and comprehensive loss for the period	$	**(1,153,943)**	$	(750,946)
Adjustments for:				
Depletion and amortization		**170,550**		164,595
Impairment of property, plant and equipment		**1,119,616**		599,161
Accretion expense		**(163,848)**		(647)
Share based compensation expense		**51,001**		3,763
Other income		**-**		-
Cash flow from operations (1)	$	**23,376**	$	15,926
Cash flow from operations per share - basic and diluted	$	**0.00**	$	0.00

(1) non-IFRS measure

For the years ended December 31, 2013, Relentless experienced a decrease in cash flow from operations to $385,592 ($0.01/share, basic and diluted) down from $438,210 ($0.02/share, basic and diluted) for the same period in 2012.

Years ended December 31		**2013**		2012
Net and comprehensive loss for the period	$	**(1,690,666)**	$	(528,682)
Adjustments for:				
Depletion and amortization		**498,946**		479,673
Impairment of property, plant and equipment		**1,590,393**		599,161
Accretion expense		**16,380**		2,848
Share based compensation expense		**162,539**		10,210
Other income		**(192,000)**		(125,000)
Cash flow from operations (1)	$	**385,592**	$	438,210
Cash flow from operations per share - basic and diluted	$	**0.01**	$	0.02

(1) non-IFRS measure

Property plant and equipment assets (PP&E)

	PP&E Assets
Balance at December 31, 2011	$5,415,109
Additions during the year	223,776
Change in decommissioning obligations	(769)
Balance at December 31, 2012	$5,638,116
Additions during the year	2,560,188
Dispositions during the year	(4,932,106)
Change in decommissioning obligations	1,307,006
Balance at December 31, 2013	$4,573,204
Depletion, depreciation and impairment:	
Balance at December 31, 2011	($2,158,846)
Depletion and depreciation for the year	(479,673)
Impairment	(599,161)
Balance at December 31, 2012	($3,237,680)
Dispositions during the year	2,956,389
Depletion and depreciation for the year	(498,946)
Impairment	(1,590,393)
Balance at December 31, 2013	($2,370,630)
Net book value:	
Balance at December 31, 2012	$2,400,436
Balance at December 31, 2013	$2,202,574

At December 31, 2013, the Company evaluated its PP&E assets for impairment and recorded an impairment of $1,247,655 on the Willesden Green CGU due to decommissioning additions of $1,309,176 to the CGU during 2013. 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 costs to sell (2%) based on discounted cash flows of proved plus probable reserves using forecast future prices and a discount rate of 15%.

During the year, the Company evaluated its PP&E assets for impairment and recorded an impairment of $342,738 on the Loverna, Saskatchewan CGU. The impairment was made for drilling costs incurred on a well in which the Company ultimately went penalty on and lost its working interest in. The impairment was based on the difference between the net book value of the assets and the recoverable amount. The recoverable amount was determined using fair value less costs to sell (2%) based on discounted cash flows of proved plus probable reserves using forecast future prices and a discount rate of 15%. The Loverna CGU was written down to its recoverable amount based on the future value of cash flows less costs to sell.

At December 31, 2012, as a result of decreasing commodity prices, Relentless recognized an impairment of $599,161 on its Loverna, Hays and Niton areas. The impairment charge was recorded as impairment of property, plant and equipment. 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 (2%) 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.

Capital expenditures for the three months and year ended December 31, 2013 are summarized in the following table:

Area	**Description**		**Three months ended December 31, 2013**		**Year ended December 31, 2013**
Relentless , Alberta	Drill and complete	$	9,949	$	677,197
	Equip and tie-in		22,817		17,536
	Land and lease		3,618		89,738
Total		$	36,384	$	784,471

Liquidity and Financial Condition

As at December 31, 2013, working capital surplus was $181,645 as compared to $380,524 at December 31, 2012.

As at December 31, 2013, and 2012, 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 December 31, 2013 and 2012, the Company had not drawn on this loan facility.

For the year ended December 31, 2013 the Company incurred $2,500 (2012 – $2,500) in transaction costs associated with renegotiating the annual credit facility. The amount is included in finance expense on the statement of comprehensive loss.

Working Capital

	December 31, 2013	December 31, 2012
Cash	**$ 192,567**	$ 450,132
Accounts receivable	**125,403**	161,366
Prepaids and deposits	**129,502**	18,114
Accounts payable and accrued liabilities	**(265,827)**	(249,088)
Working capital surplus (1)	**$ 181,645**	$ 380,524

(1)Excluding current portion of decommissioning obligations

Net Surplus

	December 31, 2013	December 31, 2012
Bank debt	**$ -**	$ -
Net surplus	**181,645**	380,524
Shareholder's Equity	**$ 757,661**	$ 2,285,788

Decommissioning Obligations

A reconciliation of the decommissioning obligations is provided below:

	December 31, 2013	December 31, 2012
Balance, beginning of year	$ 303,172	$ 301,093
Additions - drilled	39,534	-
Additions - acquired	1,339,591	-
Dispositions	(129,566)	-
Change in estimate	57,447	(769)
Accretion	16,380	2,848
Balance, end of year	1,626,558	303,172
Less current portion of decommissioning liability	(158,208)	(151,895)
Balance, end of year	$ 1,468,350	$ 151,277

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 $1,841,776 (2012 - $ 378,000) which will be incurred over the next 30 years (2012 – 30 years) with the majority of costs to be incurred between 2014 and 2042. The current decommissioning obligation is $158,208. An average risk-free rate of 2.02 per cent (2012 – 1.46%) and an inflation rate of 2 per cent (2012 – 2 %) were used to calculate the net present value of the decommissioning obligations. Accretion expense is included in finance expense on the statement of comprehensive loss.

Share Capital

	December 31, 2013 Shares	Amount	December 31, 2012 Shares	Amount
Balance, beginning of year	30,025,085	$6,927,571	26,825,085	$6,365,920
Warrants expired	-	(1,849)	-	-
Issuance of common shares	-	-	3,200,000	608,000
Share issuance costs	-	-	-	(46,349)
Balance, end of year	30,025,085	$6,925,722	30,025,085	$6,927,571

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. A flow through share premium of $192,000 was set up as a current liability at December 31, 2013 with a corresponding reduction ion share capital. 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 warrants expired on December 20, 2013.

Warrants

	Year ended December 31, 2013 Warrants	Amount	Year ended December 31, 2012 Warrants	Amount
Balance, beginning of year	66,750	-	-	-
Warrants expired	(66,750)	-	-	-
Warrants issued	-	-	66,750	-
Balance, end of year	-	-	66,750	-

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Subsequent Events

The Company's board of directors approved the issuance of stock options effective February 3, 2014, to purchase 240,000 common shares of the Company at a price of $0.14, exercisable until February 2, 2019. The options vest immediately and are being issued to officers and directors of the Company in accordance with the Company's stock option plan.

On February 11, 2014, the Company closed a non-brokered private placement offering of units, by issuing 4,285,714 units at a price of $0.105/unit for gross proceeds of $450,000. Each unit comprises one common share and one-half of a share purchase warrant of the Company, resulting in the issuance of 4,285,714 common shares and 2,142,857 warrants under the offering. Subject to vesting, each whole warrant is exercisable into one common share until February 10, 2019, at a price of $0.14/share. The warrants vest and become exercisable as to one-third upon the 20-day weighted-average trading price of the common shares equalling or exceeding $0.20, an additional one-third upon the market price equalling or exceeding $0.25, and a final one-third upon the market price equalling or exceeding $0.30. All securities issued under the offering, including the common shares issuable upon exercise of the warrants, are subject to a four-month-plus-a-day hold /period from the date of issuance expiring June 11, 2014, in accordance with applicable securities laws.

The Company's board of directors approved the issuance of stock options effective February 11, 2014, to purchase 428,580 common shares of the Company at a price of $0.19/share, exercisable until February 11, 2019. The options vest immediately and are being issued to officers and directors of the Company in accordance with the Company's stock option plan.

Historical Quarterly Information

	2013 Q4	2013 Q3	2013 Q2	2013 Q1
Oil and Gas Revenue	$ 273,166	$ 393,465	$ 368,906	$ 298,338
Cash Flow from operations [(1)]	23,376	168,536	121,926	71,844
Cash Flow / share - basic	0.00	0.01	0.00	0.00
Comprehensive Loss	(1,153,943)	(109,402)	(122,205)	(305,116)
Comprehensive Loss) / share - basic	(0.04)	(0.00)	(0.00)	(0.01)
Capital Expenditures	36,384	46,353	(192,829)	694,562
Total Assets	2,650,046	2,940,618	2,830,668	3,326,862
Net surplus (debt)	181,645	194,655	72,471	(242,194)
Shareholders' Equity	$ 757,661	$ 1,860,604	$ 1,858,468	$ 1,980,673
Shares outstanding	30,025,085	30,025,085	30,025,085	30,025,085
Production (boe/d)	64	88	77	68
Oil and NGLs (bbl/day)	24	38	35	31
Natural gas (mcf/day)	237	301	253	222

	2012 Q4	2012 Q3	2012 Q2	2012 Q1
Oil and Gas Revenue	$ 257,126	$ 261,192	402,499	$ 523,931
Cash Flow from operations[(1)]	15,926	129,732	108,220	258,884
Cash Flow / share - basic	0.01	0.00	0.00	0.01
Comprehensive Income (Loss)	(750,946)	30,112	(345)	252,441
Comprehensive Income (Loss) / share - basic	(0.03)	0.00	0.00	0.01
Capital Expenditures	-	23,976	501,733	161,619
Total Assets	2,940,618	3,364,000	3,454,000	3,531,000
Net surplus (debt)	380,524	(390,000)	(422,000)	(492,000)
Shareholders' Equity	$ 1,860,604	$ 2,471,000	2,494,000	$ 2,494,000
Shares outstanding	30,025,085	26,825,085	26,825,085	26,825,085
Production (boe/d)	60	60	89	98
Oil and NGLs (bbl/day)	27	32	50	59
Natural gas (mcf/day)	195	169	234	236

(1) Non-IFRS measure

CRITICAL ACCOUNTING ESTIMATES

The financial statements have been prepared in accordance with IFRS. A summary of the significant accounting policies are presented in note 3 of the Notes to the Financial Statements. Certain Accounting policies are critical to understanding the financial condition and results of operations of Relentless.

a) Proved and probable oil and natural gas reserves - Reserve estimates are based on engineering data, estimated future prices, expected future rates of production and the timing of future capital expenditures, all of which are subject to interpretation and uncertainty. Relentless expects that over time its reserve estimates will be revised either upward or downward depending upon the factors as stated above. These reserve estimates can have a significant impact on net income, as it is a key component in the calculation of depletion, depreciation and amortization, and also for the determination of potential asset impairments.

b) Depreciation and depletion - property, plant and equipment is measured at cost less accumulated depreciation and depletion. Relentless's oil and natural gas properties are depleted using the unit-of-production method over proved and probable reserves for each cash-generating unit (CGU). The unit-of-production method takes into account capital expenditures incurred to date along with future development capital required to develop both proved and probable reserves

c) Impairment - Relentless assesses its property, plant and equipment for impairment when events or circumstances indicate that the carrying value of its assets may not be recoverable. If any indication of impairment exists, Relentless performs an impairment test on the CGU which is the lowest level at which there are identifiable cash flows. The determination of fair value at the CGU level again requires the use of judgments and estimates that include quantities of reserves and future production, future commodity pricing, development costs, operating costs and royalty obligations. Any changes in these items may have an impact on the fair value of the assets.

d) Decommissioning liabilities - Relentless estimates its decommissioning liabilities based upon existing laws, contracts or other policies. The estimated present value of the Company's decommissioning obligations are recognized as a liability in the reporting periods in which they occur. The provision is calculated by discounting the expected future cash flows to settle the obligations at the risk-free interest rate. The liability is adjusted each reporting period to reflect the passage of time, with accretion charged to net income, any other changes whether it be changes in interest rates or changes in estimated future cash flows are capitalized to property, plant and equipment.

e) Income taxes - The determination of Relentless's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. 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 that estimated and recorded.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time specified by securities regulations and that information required to be disclosed is accumulated and communicated to management.

DESIGN OF INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal controls are processes designed and implemented by management to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements and other financial information for external purposes in accordance with International Financial Reporting Standards. For the three months and years ended December 31, 2013, the Chief Executive Officer and the Chief Financial Officer are responsible for and have designed internal controls over financial reporting, or caused them to be designed under their supervision. Management is aware that there is a lack of segregation of duties due to the small number of employees dealing with general, administrative and financial matters. However, management believes that at this time the potential benefits of adding employees to clearly segregate duties do not justify the costs associated with such increase.

Management has concluded that internal controls are adequately designed in this regard, considering the employees involved and the control procedures in place, including management and Audit Committee oversight. Occasionally, the Company requires outside assistance and advice on taxation, new accounting pronouncements and complex accounting and reporting issues, which is common with companies of a similar size. It should be noted, that a Company's control system, no matter how well designed, can provide only reasonable, but not absolute, assurance of detecting, preventing and deterring errors or fraud. There have been no changes in internal controls from the prior year end.

BUSINESS RISKS

Relentless is exposed to risks inherent in the oil and gas business. Operationally, the Company faces risks associated with finding, developing and producing oil and gas reserves, such as the availability of rigs and inclement weather. The Company continues to follow strict exploration criteria on each prospect to ensure high profitability and rate of return on capital investment. Exploration risks are managed by hiring skilled technical staff and by concentrating exploration activity on areas in which Relentless has experience and expertise. Relentless operates most of its production, allowing the Company to manage costs, timing and sales of production. Estimates of economically recoverable reserves and the future net cash flow are based on factors such as commodity prices, projected production and future capital and operating costs. These estimates may differ from actual results. The Company has its reserves evaluated annually by an independent engineering firm. Relentless is also exposed to environmental risks and risks associated with the reliance upon relationships with partners. Relentless carries environmental liability, property, drilling and general liability insurance to mitigate its risks. The Company is also exposed to financial risks in the form of commodity prices, interest rates, the Canadian to U.S. dollar exchange rate and inflation.

NOTE: In this report all currency values are in Canadian dollars (unless otherwise noted). Figures, ratios and percentages in this MD&A may not add due to rounding.

ABBREVIATIONS

bbl	barrel
bbls	barrels
bcf	billion cubic feet
bhp	brake horsepower
boe	barrel of oil equivalent (1 boe = 6 mcf)
bbl/day	barrels/day
boe/day	barrels of oil equivalent/day
FNR	future net revenue
GJ	gigajoule
GJs/d	gigajoules/day
M^3	cubic meters
Mbbls	thousands of barrels
mcf	thousand cubic feet
mcf/day	thousand cubic feet/day
MMbbls	millions of barrels
mmcf	million cubic feet
mmcf/d	million cubic feet/day
NGLs	natural gas liquids
NPV	net present value

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President & Director
Calgary, Alberta

Hugh M. Thomson
Vice President Finance & Chief Financial Officer
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William C. Macdonald [1,2,3]
Director
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Murray Frame [1,2,3,4]
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[1] Member of the Audit Committee
[2] Member of the Compensation Committee
[3] Member of the Governance Committee
[4] Member of the Reserves Committee

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