# Relentless Resources Ltd.

***Condensed Interim Financial Statements***

**(Unaudited)**

***for the Three Months Ended***

***March 31, 2014 and 2013***

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL RESULTS**

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim financial statements of the Company as at, and for the three months ended March 31, 2014 and 2013, have been prepared in accordance with IFRS and are the responsibility of the Company's management. The interim financial statements and related financial reporting matters have been reviewed and approved by the Audit Committee. The Company's independent auditor has not performed a review of these unaudited condensed interim financial statements as at and for the three months ended March 31, 2014 and 2013 in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# Relentless Resources Ltd.
**Condensed Interim Statements of Financial Position**
**As at**
**(Unaudited)**

| | Note | March 31, 2014 | December 31, 2013 |
|---|---|---|---|
| **Assets** | | | |
| Current | | | |
| Cash | | $ 644,702 | $ 192,567 |
| Accounts receivable | | 151,068 | 125,403 |
| Prepaid expenses and deposits | | 158,995 | 129,502 |
| | | 954,765 | 447,472 |
| Property, plant and equipment | 5 | 2,291,952 | 2,202,574 |
| | | $ 3,246,717 | $ 2,650,046 |
| **Liabilities and Shareholders' Equity** | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | $ 413,426 | $ 265,827 |
| Current portion of decommissioning obligations | 8 | 161,418 | 158,208 |
| | | 574,844 | 424,035 |
| Decommissioning obligations | 8 | 1,513,987 | 1,468,350 |
| | | 2,088,831 | 1,892,385 |
| Shareholders' equity | | | |
| Share capital | 9 | 7,348,902 | 6,925,722 |
| Contributed surplus | 12 | 908,906 | 804,810 |
| Deficit | | (7,099,922) | (6,972,871) |
| | | 1,157,886 | 757,661 |
| | | $ 3,246,717 | $ 2,650,046 |

Subsequent events – note 17

SIGNED ON BEHALF OF THE BOARD

"Dan Wilson"
Director

"William Macdonald"
Director

The accompanying notes are an integral part of the Condensed Interim Financial Statements.

# Relentless Resources Ltd.

**Condensed Interim Statements of Comprehensive Loss**
**For the Three Months Ended March 31,**
**(Unaudited)**

| | Note | | 2014 | | 2013 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Oil and natural gas sales | 15 | $ | 349,807 | $ | 298,338 |
| Royalties | | | (33,112) | | (7,689) |
| Net revenue | | | 316,695 | | 290,649 |
| Other income | | | - | | 192,000 |
| | | | 316,695 | | 482,649 |
| **Expenses** | | | | | |
| Production, operating and transportation | | | 141,546 | | 160,221 |
| Depletion and depreciation | 5 | | 86,533 | | 98,086 |
| Impairment | 5 | | - | | 470,777 |
| General and administrative | | | 85,172 | | 59,249 |
| Share based compensation | 11 | | 104,096 | | - |
| Finance expense | | | 26,399 | | 568 |
| | | | 443,746 | | 788,901 |
| **Comprehensive loss for the period** | | $ | (127,051) | $ | (305,116) |
| Comprehensive loss per share, basic and diluted | 13 | $ | (0.00) | $ | (0.01) |

The accompanying notes are an integral part of the Condensed Interim Financial Statements.

# Relentless Resources Ltd.

**Condensed Interim Statements of Changes in Shareholders' Equity**
**For the Three Months Ended March 31,**
**(Unaudited)**

| | Note | 2014 Number | | Amount | 2013 Number | | Amount |
|---|---|---|---|---|---|---|---|
| **Share capital** | | | | | | | |
| Balance, beginning of period | | 30,025,085 | $ | 6,925,722 | 30,025,085 | $ | 6,927,571 |
| Issuance of share capital | 9 | 4,285,714 | | 450,000 | - | | - |
| Share issuance costs | 9 | - | | (26,820) | - | | - |
| Share capital, end of period | | 34,310,799 | | 7,348,902 | 30,025,085 | | 6,927,571 |
| **Warrants** | | | | | | | |
| Balance, beginning of period | | - | | - | 66,750 | | - |
| Warrants issued | 10 | 2,142,857 | | - | - | | - |
| Warrants, end of period | | 2,142,857 | | - | 66,750 | | - |
| **Contributed surplus** | | | | | | | |
| Balance, beginning of period | | - | | 804,810 | - | | 804,810 |
| Share based compensation expense | 11 | - | | 104,096 | - | | - |
| Contributed surplus, end of period | | - | | 908,906 | - | | 804,810 |
| **Deficit** | | | | | | | |
| Balance, beginning of period | | - | | (6,972,871) | - | | (5,282,205) |
| Comprehensive loss for the period | | - | | (127,051) | - | | (305,116) |
| Balance, end of period | | - | | (7,099,922) | - | | (5,587,321) |
| Total Shareholders' equity, end of period | | - | $ | 1,157,886 | - | $ | 1,980,673 |

The accompanying notes are an integral part of the Condensed Interim Financial Statements.

# Relentless Resources Ltd.

**Condensed Interim Statements of Cash Flows**
**For the Three Months Ended March 31,**
**(Unaudited)**

| | Note | | 2014 | | 2013 |
|---|---|---|---|---|---|
| **Cash from operating activities:** | | | | | |
| **Comprehensive loss for the period** | | $ | (127,051) | $ | (305,116) |
| Adjustments for: | | | | | |
| Other income | | | - | | (192,000) |
| Depletion and depreciation | 5 | | 86,533 | | 98,086 |
| Impairment | 5 | | - | | 470,777 |
| Accretion | 8 | | 12,037 | | 97 |
| Share based compensation | 12 | | 104,096 | | - |
| | | | 75,615 | | 71,844 |
| Change in non-cash working capital | 14 | | 60,891 | | 171,509 |
| **Cash from operating activities** | | | 136,506 | | 243,353 |
| **Cash from (used in) investing activities:** | | | | | |
| Additions to property, plant and equipment | 5 | | (139,101) | | (694,562) |
| Change in non-cash working capital | 14 | | 31,550 | | 541,140 |
| **Cash (used in) investing activities** | | | (107,551) | | (153,422) |
| **Cash provided by financing activities:** | | | | | |
| Issuance of common shares, net | 9 | | 423,180 | | - |
| **Cash provided by financing activities** | | | 423,180 | | - |
| Change in cash | | | 452,135 | | 89,931 |
| Cash, beginning of period | | | 192,567 | | 450,132 |
| Cash, end of period | | $ | 644,702 | $ | 540,063 |
| Interest paid | | $ | 14,362 | $ | (655) |

The accompanying notes are an integral part of the Condensed Interim 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 Alberta, 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 condensed interim financial statements have been prepared by management and reported in Canadian dollars in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". These condensed interim financial statements do not include all of the information required for full annual, financial statements and should be read in conjunction with the Audited financial statements and notes thereto in the Company's December 31, 2013 Annual Report available on SEDAR at www.sedar.com.

These condensed interim financial statements were approved by the Company's Board of Directors on May 26, 2014.

(b) Estimates and Judgements:

The timely preparation of the condensed interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the period. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended December 31, 2013.

## 3. Significant accounting policies

The condensed interim financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in Note 3 to the financial statements for the year ended December 31, 2013, except as highlighted in Note 3 (a) below.

(a) New accounting policies:

- Amendments to IAS 36, "Impairment of Assets," the adoption of this amendment will impact Relentless's disclosures in the notes to its financial statements and condensed interim financial statements in periods when an impairment loss or impairment reversal is recognized.

- Amendments to the recognition, presentation and disclosure to pension accounting under IAS 19, "Employee Benefits". The adoption of this amendment had no impact on Relentless's condensed interim financial statements.

- IFRIC 21, "Levies," the adoption of this standard had no impact on the amounts recorded in Relentless's condensed interim financial statements.

(b) Future accounting policies:

- In November 2009 the IASB issued IFRS 9, "Financial Instruments" as the first phase in its project to replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduced new requirements for classifying and measuring financial assets. On October 28, 2010, the IASB reissued IFRS 9, incorporating new requirements on accounting for financial liabilities. The new standard eliminates the existing multiple classification and measurement categories under IAS 39 of held-to-maturity, available-for-sale and loans receivable and replaces them with a single model that has only two classification categories: amortized cost and fair value.

- In November 2013, the IASB issued a new general hedge accounting standard which forms part of IFRS 9. In July of 2013, the IASB deferred the mandatory effective date of IFRS 9, which previously had been effective for annual periods beginning on or after January 1, 2015. The IASB has yet to determine the mandatory effective date; early adoption of the new standard is still permitted. Relentless will address the extent of the impact of the adoption of IFRS 9 when the financial standard and effective date has been issued.

## 4. Financial 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 75% of the Company's revenue and natural gas makes up the remaining 25% 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. As of March 31, 2014 and 2013, all receivables were current and there were no receivables provided for or written off during the period.

(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.

(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 periods ended March 31, 2014 and 2013.

(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.

(c) 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.

## 5. Property, plant and equipment (PP&E) assets

| | | PP&E Assets |
|---|---|---|
| Balance at December 31, 2013 | $ | 4,573,204 |
| Additions | | 139,101 |
| Change in decommissioning obligations | | 36,810 |
| Balance at March 31, 2014 | $ | 4,749,115 |
| | | |
| Depletion, depreciation and impairment: | | |
| Balance at December 31, 2013 | $ | (2,370,630) |
| Depletion and depreciation for the period | | (86,533) |
| Balance at March 31, 2014 | $ | (2,457,163) |

| | | PP&E Assets |
|---|---|---|
| Net book value: | | |
| Balance at December 31, 2013 | $ | 2,202,574 |
| Balance at March 31, 2014 | $ | 2,291,952 |

(a) Collateral:

At March 31, 2014, and 2013, all of the Company's oil and natural gas properties are pledged as collateral for the bank debt.

(b) Depletion:

At March 31, 2014 estimated future costs to develop the proved plus probable reserves of $35,000 (March 31, 2013 - $157,000) were added to property, plant and equipment for depletion and depreciation purposes.

## 6. Flow through share liability

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.

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, in Q1 2014 the Company paid Part XII.6 tax of $14,224 and will be required to reimburse investors a total of $61,890 which is included in accounts payable and accrued liabilities as at March 31, 2014.

## 7. Demand operating facilities

As at March 31, 2014 and December 31, 2013, the Company had a $700,000 demand operating loan facility, subject to the banks' semi-annual review of the Company's petroleum and natural gas properties. The facility is available until May 31, 2014 at which time it may be extended, at the lenders option. As at the date the directors approved these condensed interim 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 secured 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 March 31, 2014 and December 31, 2013, the Company had not drawn on this loan facility.

## 8. Decommissioning obligations

A reconciliation of the decommissioning obligations is provided below:

| | March 31, 2014 | March 31, 2013 |
|---|---|---|
| Balance, beginning of period | $1,626,558 | $303,172 |
| Change in estimate | 36,810 | 38,006 |
| Accretion | 12,037 | 97 |
| Balance, end of period | 1,675,405 | 341,275 |
| Less current portion of decommissioning obligations | (161,418) | - |
| Non-current decommissioning obligations | $1,513,987 | $341,275 |

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 (2013 - $ 378,000) which will be incurred over the next 30 years (2013 – 30 years) with the majority of costs to be incurred between 2014 and 2042. The current decommissioning obligation is $161,418. An average risk-free rate of 2.02% (2013 – 1.46%) and an inflation rate of 2% (2013 – 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.

## 9. 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

| | March 31, 2014 | | March 31, 2013 | |
|---|---|---|---|---|
| | **Shares** | **Amount** | **Shares** | **Amount** |
| Balance, beginning of period | 30,025,085 | $6,925,722 | 30,025,085 | $6,927,571 |
| Issuance of common shares | 4,285,714 | 450,000 | - | - |
| Share issuance costs | - | (26,820) | - | - |
| Balance, end of period | 34,310,799 | $7,348,902 | 30,025,085 | $6,927,571 |

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. Share issuance costs were $26,820 resulting in net proceeds of $423,180.

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.

## 10. Warrants

| | March 31, 2014 | | March 31, 2013 | |
|---|---|---|---|---|
| | **Warrants** | **Amount** | **Warrants** | **Amount** |
| Balance, beginning of period | - | - | 66,750 | - |
| Warrants issued | 2,142,857 | - | - | - |
| Balance, end of period | 2,142,857 | - | 66,750 | - |

In conjunction with the common shares issued on a “flow-through basis” in 2013, 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 2013, $1,849 had been recorded as share issue costs. The warrants expired unexercised.

As at March 31, 2014, 2,142,857 warrants (2013 – 66,750) were outstanding.

## 11. 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 TSXV 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 periods ended March 31, 2014 and 2013 are as follows:

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Number of options** | **Weighted average exercise price** | Number of options | Weighted average exercise price |
| Outstanding, beginning of period | **2,762,500** | **$0.20** | 1,612,500 | $0.20 |
| Granted | **668,580** | **$0.17** | - | - |
| Outstanding, end of period | **3,431,080** | **$0.19** | 1,612,500 | $0.20 |
| Exercisable, end of period | **3,431,080** | **$0.19** | 1,612,500 | $0.20 |

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.

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.

The range of exercise prices of the outstanding options at March 31, 2014 is a follows:

| | Options outstanding | Weighted average contractual life (years) |
|---|---|---|
| 0.10 | 787,500 | 1.45 |
| 0.16 | 75,000 | 3.45 |
| 0.30 | 750,000 | 2.05 |
| 0.17 | 1,150,000 | 4.25 |
| 0.14 | 240,000 | 4.75 |
| 0.19 | 428,580 | 4.75 |
| $ 0.10 to 0.30 | 3,431,080 | 3.45 |

The fair value of the options granted was estimated using Black-Scholes model with the following weighted average inputs for the period ended March 31:

| | **February 3, 2014 option grant – 240,000 options** | **February 11, 2014 option grant – 428,580 options** |
|---|---|---|
| Fair value at grant date | **$0.14** | **$0.16** |
| Share price | **$0.17** | **$0.19** |
| Exercise price | **$0.14** | **$0.19** |
| Volatility | **129%** | **129%** |
| Option life | **5 years** | **5 years** |
| Dividends | **-%** | **-%** |
| Risk-free interest rate | **1.91%** | **1.91%** |
| Share based compensation | **$34,370** | **$69,726** |

## 12. Contributed surplus

| | **March 31, 2014** | **March 31, 2013** |
|---|---|---|
| Balance, beginning of period | $804,810 | $640,422 |
| Share based compensation | 104,096 | - |
| Balance, end of period | $908,806 | $640,422 |

## 13. Loss per share

| | **Three months ended March 31, 2014** | **Three months ended March 31, 2013** |
|---|---|---|
| Net and comprehensive loss for the period | ($127,051) | ($305,116) |
| Net and comprehensive loss per share, basic and diluted | ($0.00) | ($0.01) |
| Weighted average shares outstanding | 32,739,371 | 30,025,085 |

## 14. Supplemental cash flow information

| | Three months ended March 31, 2014 | Three months ended March 31, 2013 |
|---|---|---|
| Change in non-cash working capital items: | | |
| Accounts receivable | ($25,666) | ($23,671) |
| Prepaid expenses and deposits | (29,494) | (19,506) |
| Accounts payable and accrued liabilities | 147,599 | 755,826 |
| | $92,441 | $712,649 |
| | | |
| Amount related to operating activities | $60,891 | $171,509 |
| Amount related to investing activities | 31,550 | 541,140 |
| | $92,441 | $712,649 |

## 15. Revenue by product

| | Three months ended March 31, 2014 | Three months ended March 31, 2013 |
|---|---|---|
| Oil revenue | $204,732 | $226,120 |
| Natural gas revenue | 145,075 | 72,218 |
| Total revenue | $349,807 | $298,338 |

## 16. 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, Saskatchewan 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, Saskatchewan 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 March 31, 2014, no amount has been recorded in the Company’s condensed interim financial statements as the outcome of reassessment is not determinable.

## 17. Subsequent events

On April 22, 2014 a former director exercised 110,000 stock options at a price of $.010/share for proceeds of $11,000.

On April 23, 2014 a former officer exercised 125,000 stock options at prices of $.016 and $0.165/share for proceeds of $20,250.

On May 23, 2014 the Company announced that its nominee, 1819113 Alberta Ltd. ("1819113" or "the Nominee" ) completed the purchase of approximately 127 boe/d of conventional producing P&NG assets from a private company for $3 million in cash, subject to industry standard closing adjustments. 1819113 is wholly owned by certain directors and officers of Relentless.

The Nominee funded the purchase with bank financing and loans from its directors and officers. The loans will be payable on demand and bear interest at the annual rate of 3%.

Relentless has the exclusive right to acquire the assets from Nominee or its common shares and loans payable for $3 million.

Completion of the proposed transaction by Relentless is subject to a number of conditions including, without limitation, approval of the TSXV by August 31, 2014. Relentless will either acquire the assets from the Nominee or amalgamate with the Nominee upon receipt of TSXV approval. Requirements for TSXV approval may include approval of the transactions at a shareholder meeting of Relentless.

The assets to be acquired are located in the Peace River Arch area of Alberta, and are comprised of production of approximately 64% natural gas and 36% light oil and natural gas liquids (based on conversion ratio of 6 mcf = 1 bbl). For the year ended December 31, 2013 the assets produced 46 bbl/day of oil and NGL's and 486 mcf/day of natural gas (127 boe/day). The majority of the production is operated with high working interests. The assets include a total net land base of approximately 5,000 acres (8 sections).

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.