Relentless Resources Ltd.

Condensed Interim Financial Statements

(Unaudited)

for the Three and Six Months Ended

June 30, 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 and six months ended June 30, 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 and six months ended June 30, 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		June 30, 2014		December 31, 2013
Assets					
Current					
Cash		$	-	$	192,567
Accounts receivable			351,613		125,403
Share subscriptions receivable	10		1,955,117		-
Prepaid expenses and deposits			75,583		129,502
			2,382,313		447,472
Property, plant and equipment	5		6,407,777		2,202,574
		$	8,790,090	$	2,650,046
Liabilities and Shareholders' Equity					
Current liabilities					
Accounts payable and accrued liabilities		$	479,312	$	265,827
Loans from related parties	7		1,100,000		-
Bank debt	8		83,490		-
Flow through share premium	10		166,667		-
Current portion of decommissioning obligations	9		161,009		158,208
			1,990,478		424,035
Decommissioning obligations	9		2,150,147		1,468,350
			4,140,625		1,892,385
Shareholders' equity					
Share capital	10		10,942,386		6,925,722
Contributed surplus	13		960,533		804,810
Deficit			(7,253,454)		(6,972,871)
			4,649,465		757,661
		$	8,790,090	$	2,650,046

See note 17 – Contingency
See note 18 – Subsequent event
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 and Six Months Ended June 30,
(Unaudited)

	Note	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Revenue					
Oil and natural gas sales	16	$ 471,357	$ 368,906	$ 821,163	$ 667,244
Royalties		(54,795)	(21,656)	(87,906)	(29,395)
Net revenue		416,562	347,250	733,257	637,899
Other income		-	-	-	192,000
		416,562	347,250	733,257	829,899
Expenses					
Production, operating and transportation		177,491	120,020	319,037	280,241
Depletion and depreciation	5	146,244	64,910	232,777	162,956
Impairment	5	-	-	-	470,777
General and administrative		175,178	101,848	260,350	161,097
Share based compensation	12	51,627	-	155,723	-
Finance expense		19,554	182,677	45,953	182,109
		570,094	469,455	1,013,840	1,257,220
Comprehensive loss for the period		$ (153,532)	$ (122,205)	$ (280,583)	$ (427,321)
Comprehensive loss per share, basic and diluted	14	$ (0.00)	$ (0.00)	$ (0.01)	$ (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 Six Months Ended June 30,
(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	10	22,202,381		4,200,000	-		-
Exercise of stock options	10	235,000		31,250			
Flow through share premium	10	-		(166,667)			
Share issuance costs	10	-		(47,919)	-		-
Share capital, end of period		52,462,466		10,942,386	30,025,085		6,927,571
Warrants							
Balance, beginning of period		-		-	66,750		-
Warrants issued	11	2,142,856		-	-		-
Warrants, end of period		2,142,856		-	66,750		-
Contributed surplus							
Balance, beginning of period		-		804,810	-		640,422
Share based compensation expense	12	-		155,723	-		-
Contributed surplus, end of period		-		960,533	-		640,422
Deficit							
Balance, beginning of period		-		(6,972,871)	-		(5,282,204)
Comprehensive loss for the period		-		(280,583)	-		(427,321)
Balance, end of period		-		(7,253,454)	-		(5,709,525)
Total Shareholders' equity, end of period		-	$	4,649,465	-	$	1,858,468

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 and Six Months Ended June 30,
(Unaudited)

	Note	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Cash from operating activities:					
Comprehensive loss for the period		$ (153,532)	$ (122,205)	$ (280,583)	$ (427,321)
Adjustments for:					
Other income		-	-	-	(192,000)
Depletion and depreciation	5	146,244	64,910	232,777	162,956
Impairment	5	-	-	-	470,777
Accretion	9	20,218	179,131	32,255	179,228
Share based compensation	12	51,627	-	155,723	-
		64,557	121,836	140,172	193,680
Change in non-cash working capital	15	(76,411)	(17,817)	(107,470)	(60,994)
Cash from (used in) operating activities		(11,854)	104,019	32,702	132,686
Cash from (used in) investing activities:					
Additions to property, plant and equipment	5	(3,646,534)	192,829	(3,785,637)	(501,733)
Change in non-cash working capital	15	(829,953)	(830,174)	(706,453)	(74,888)
Cash used in investing activities		(4,476,489)	(637,885)	(4,492,090)	(576,621)
Cash provided by financing activities:					
Proceeds from bank debt		83,490	-	83,490	-
Issuance of common shares, net	10	3,760,151	-	4,183,331	-
Cash provided by financing activities		3,843,641	-	4,266,821	-
Change in cash		(644,702)	(533,866)	(192,567)	(443,935)
Cash, beginning of period		644,702	540,063	192,567	450,132
Cash, end of period		$ -	$ 6,197	$ -	$ 6,197
Interest paid		$ (664)	$ 3,546	$ 13,698	$ 2,881

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 August 18, 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 which were adopted January 1, 2014:

(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 February 2014, the IASB tentatively decided to require an entity to apply IFRS 9, "Financial Instruments" for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company will address the extent of the impact of the adoption of IFRS 9 when the financial standard and effective date have 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 69% of the Company's revenue and natural gas makes up the remaining 31% 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 June 30, 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 June 30, 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
Total 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
Additions		3,646,536
Change in decommissioning obligations		615,533
Balance at June 30, 2014	$	9,011,184
Depletion and depreciation		
Balance at December 31, 2013	$	(2,370,630)
Depletion and depreciation for the period		(86,533)
Balance at March 31, 2014	$	(2,457,163)
Depletion and depreciation for the period		(146,244)
Balance at June 30, 2014	$	(2,603,407)

		PP&E Assets
Net book value		
Balance at December 31, 2013	$	2,202,574
Balance March 31, 2014		2,291,952
Balance at June 30, 2014	$	6,407,777

(a) Collateral:

At June 30, 2014, and 2013, all of the Company's oil and natural gas properties are pledged as collateral for the bank debt.

(b) Depletion:

At June 30, 2014 estimated future costs to develop the proved plus probable reserves of $35,000 (June 30, 2013 - $157,000) were added to property, plant and equipment for depletion and depreciation purposes.

Acquisitions:

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 are payable on demand and bear interest at the annual rate of 3%.

Relentless had the exclusive right to acquire the assets from Nominee or its common shares and loans payable for $3 million. On June 27, 2014 Relentless exercised its right to acquire the assets and loans from 1819113 Alberta Ltd.

The details of the acquisition are as follows:

Assumption of bank debt	($1,300,000)
Assumption of loans from related parties	($1,600,000)
Acquisition of P&NG assets	$2,719,372
Net revenue from effective date to closing date	$180,628

On June 11, 2014 the Company acquired a 100% interest in one producing well and three non-producing wellbores for total consideration of $700,000.

At June 30, 2014 there were no indications of impairment of PP&E assets.

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 June 30, 2014.

7. Loans from related parties

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 of $1,300,000 and loans of $1,600,000 from its directors and officers. The loans are payable on demand and bear interest at the annual rate of 3%.

Relentless had the exclusive right to acquire the assets from Nominee or its common shares and loans payable for $3 million. On June 27, 2014 Relentless exercised its right to acquire the assets and loans from 1819113 Alberta Ltd.

As of June 30, 2014 $500,000 of the loans had been repaid leaving a balance owing of $1,100,000. These loans were repaid in July, 2014.

8. Demand operating facilities

As at June 30, 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. 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. The Company was in compliance with this ratio at June 30, 2014. As at June 30, 2014 the Company had drawn $83,490 on this loan facility.

9. Decommissioning obligations

A reconciliation of the decommissioning obligations is provided below:

	June 30, 2014	June 30, 2013
Balance, beginning of year	$1,626,558	$303,172
Additions	652,343	-
Change in estimate	-	315,600
Accretion	32,255	179,228
Balance, end of period	2,311,156	798,000
Less current portion of decommissioning obligations	161,009	-
Non-current decommissioning obligations	$2,150,147	$798,000

The Company's decommissioning obligations result from its ownership interest in oil and natural gas assets including well sites and gathering systems. The total decommissioning obligation is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The total undiscounted amount of the estimated cash flows required to settle the decommissioning obligations is approximately $2,580,232 (2013 - $ 808,000) which will be incurred over the next 30 years (2013 – 30 years). The current decommissioning obligation is $161,009.

An average risk-free rate of 1.76% (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.

10. 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

	June 30, 2014		June 30, 2013	
	Shares	Amount	Shares	Amount
Balance, beginning of year	30,025,085	$6,925,722	30,025,085	$6,927,571
Issuance of common shares	22,202,381	4,200,000	-	-
Exercise of stock options	235,000	31,250	-	-
Flow through share premium	-	(166,667)	-	-
Share issuance costs	-	(47,919)	-	-
Balance, end of period	52,462,466	$10,942,386	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 2,142,856 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.

On June 27, 2014 Relentless closed a non-brokered private placement for gross proceeds of $3,750,000. The Company issued 4,166,666 common shares on a flow-through basis at 24 cents per share and 13,750,000 million common shares at 20 cents per common share. Share issuance costs were $21,099 resulting in net proceeds of $3,728,901.

As a result of the flow-through share issuance in June of 2014, the Company recorded a flow-through share premium liability of $166,667 with an offsetting adjustment to share capital. At June 30, 2014 the Company had an obligation to spend $1,000,000 on eligible flow-through expenditures.

Of the total of $3,728,901 subscribed for under the offering, $1,955,117 of subscription proceeds had not been deposited as of June 30, 2014 and was set up as share subscriptions receivable.

11. Warrants

	Six months ended June 30, 2014		Six months ended June 30, 2013	
	Warrants	**Amount**	**Warrants**	**Amount**
Balance, beginning of year	-	-	66,750	-
Warrants issued	2,142,856	-	-	-
Balance, end of period	2,142,856	-	66,750	-

In conjunction with the February 11, 2014 private placement offering of units the company issued 2,142,856 warrants.

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 June 30, 2014, 2,142,856 warrants (2013 – 66,750) were outstanding.

12. 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 six months ended June 30, 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 year	**2,762,500**	**$0.20**	1,612,500	$0.20
Granted	**868,580**	**$0.20**	-	-
Expired	**(100,000)**	**$0.30**		
Exercised	**(235,000)**	**$0.13**	-	-
Outstanding, end of period	**3,296,080**	**$0.19**	1,612,500	$0.20
Exercisable, end of period	**3,296,080**	**$0.19**	1,612,500	$0.20

The Company's board of directors approved the following issuance of stock options. The options vest immediately and are being issued to officers and directors of the Company in accordance with the Company's stock option plan:

February 3, 2014 – options to purchase 240,000 common shares of the Company at a price of $0.14, exercisable until February 2, 2019.

February 11, 2014 – options to purchase 428,580 common shares of the Company at a price of $0.19 per share, exercisable until February 11, 2019.

June 27, 2014 – options to purchase 200,000 common shares of the Company at a price of $0.30 per share, exercisable until June 27, 2019.

On April 22, 2014 a former director exercised 110,000 stock options at a price of $0.10/share for proceeds of $11,000. On April 23, 2014 a former officer exercised 125,000 stock options at prices of $0.16 and $0.165/share for proceeds of $20,250.

The range of exercise prices of the outstanding options at June 30, 2014 is a follows:

Price per share	Options outstanding	Weighted average contractual life (years)
$ 0.100	677,500	1.25
0.300	650,000	1.80
0.165	1,100,000	4.00
0.140	240,000	4.50
0.190	428,580	4.50
0.300	200,000	4.90
$ 0.100 to 0.300	3,296,080	3.00

The fair value of the options granted was estimated using Black-Scholes model with the following weighted average inputs for the period ended June 30:

	February 3, 2014 option grant – 240,000 options	**February 11, 2014 option grant – 428,580 options**	**June 27, 2014 option grant – 200,000 options**
Fair value at grant date	**$0.14**	**$0.16**	**$0.26**
Share price	**$0.17**	**$0.19**	**$0.30**
Exercise price	**$0.14**	**$0.19**	**$0.30**
Volatility	**129%**	**129%**	**150%**
Option life	**5 years**	**5 years**	**5 years**
Dividends	**-%**	**-%**	**-%**
Risk-free interest rate	**1.91%**	**1.91%**	**1.82%**
Share based compensation	**$34,370**	**$69,726**	**$51,627**

13. Contributed surplus

	June 30, 2014	June 30, 2013
Balance, beginning of year	$804,810	$640,422
Share based compensation	155,723	-
Balance, end of period	$960,533	$640,422

14. Loss per share

	Three months ended June 30, 2014	Three months ended June 30, 2013
Net and comprehensive loss for the period	($153,532)	($122,205)
Net and comprehensive loss per share, basic and diluted	($0.00)	($0.00)
Weighted average shares outstanding	35,637,324	30,825,085
	Six months ended June 30, 2014	**Six months ended June 30, 2013**
Net and comprehensive loss for the period	($280,583)	($427,321)
Net and comprehensive loss per share, basic and diluted	($0.01)	($0.01)
Weighted average shares outstanding	34,014,269	30,825,085

15. Supplemental cash flow information

	Three months ended June 30, 2014	Three months ended June 30, 2013
Change in non-cash working capital items:		
Accounts receivable	($2,155,662)	($27,974)
Prepaid expenses and deposits	83,412	10,157
Accounts payable and accrued liabilities	1,165,886	(830,714)
	($906,364)	($848,531)
Amount related to operating activities	($76,411)	($17,817)
Amount related to investing activities	($829,953)	(830,174)
	($906,364)	($848,531)

	Six months ended June 30, 2014	Six months ended June 30, 2013
Change in non-cash working capital items:		
Accounts receivable	($2,181,327)	($51,645)
Prepaid expenses and deposits	53,919	(9,349)
Accounts payable and accrued liabilities	1,313,485	(74,888)
	($813,923)	($135,882)
Amount related to operating activities	($107,470)	($60,994)
Amount related to investing activities	(706,453)	(74,888)
	($813,923)	($135,882)

16. Revenue by product

	Three months ended June 30, 2014	Three months ended June 30, 2013
Oil revenue	$326,729	$278,955
Natural gas revenue	144,628	89,951
Total revenue	$471,357	$368,906

	Six months ended June 30, 2014	Six months ended June 30, 2013
Oil revenue	$531,477	$505,108
Natural gas revenue	289,686	162,136
Total revenue	$821,163	$667,244

17. 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.

The estimated outcome of the reassessment ranges from $250,000 to $350,000. At June 30, 2014, no amount has been recorded in the Company's condensed interim financial statements as the outcome of reassessment is not determinable.

18. Subsequent event

On August 15, 2014 the Company renewed its demand operating loan facility with its banker increasing the total available revolving loan to $3,000,000. The facility is available until May 31, 2015 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 1.375 percent. The credit facility is secured by a general security agreement and a first ranking charge on all lands of the Company.